



GOING FOR GOLD

**Raising Our Game:
Results of the Going
for Gold Western
Canadian Economic
Competitiveness
Survey**

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GOING FOR GOLD

The Western Canadian Economy
in the International Arena

Canada*West*
FOUNDATION

GOING FOR GOLD

Western Canada's economic prosperity is not only good for the West, but for Canada as a whole. But the West cannot rest on its laurels. Like the athletes training for the forthcoming Winter Olympics in Vancouver, western Canada needs to be at the top of its game if it is to continue to compete successfully in the international economic arena, especially as its competitors step up their games. If we are not successful, our standard of living will fall.

The GOING FOR GOLD Project is examining how best to position western Canada in the global economy through a series of research papers, surveys and practical public policy recommendations.

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Executive Summary

In early 2009, the Canada West Foundation conducted a survey of 500 economic experts drawn from business, government and academia. The web survey was designed to help get a handle on what governments should and should not be doing to maintain and increase western Canada's—and by extension Canada's—international economic competitiveness.

There is a notable disconnect evident in the survey results between the desire to diversify the regional economy and embrace knowledge industries on the one hand and the preoccupation with the region's resource base on the other. Western Canadians talk a lot about using our educated workforce and entrepreneurial spirit to transform the economy into a knowledge economy powerhouse, but down in the trenches where it counts, we are focused on natural resources.

There is, however, also an element of uneasiness about this focus on natural resources. When respondents were asked to identify the region's strengths, the overwhelming answer was natural resources. When asked to identify provincial weaknesses, the main answer was overreliance on natural resources. When asked about external opportunities, selling natural resources tops the list and when asked about external threats, reduced demand for those resources and low cost resource producers dominate the answers. This contradictory attitude toward the West's bounty of natural resources is not new and not likely to go away any time soon. We are well aware in the West that the resource economy is a mixed blessing. It has enabled the region to become very prosperous even as its erratic and uncertain trajectory fills us with anxiety about the sustainability of that prosperity in the face of global change.

The survey asked respondents to rank the importance of 48 distinct public policy options for improving the international economic competitiveness of western Canada. Even though every option could be ranked as high or as low on the scale as any other, a hierarchy emerged as some options received more support than others.

Only a handful of respondents were *against* any of the options. The number of respondents ranking options as "not important" or as "do not take government action in this area" was very low in almost all cases. The differences lie in the number of respondents who felt that an option was worthy of a 1 or a 2 versus being lumped into the "mushy middle" with a ranking of 3 on the scale. As such, there is a lot that experts think governments could be doing to help keep the economy competitive, but they clearly see some things as more important than others.

Three policy options top the list with each receiving the highest score on the importance scale from more than 50% of respondents: expanding trade with countries other than the US, maintaining and enhancing free trade with the US, and reducing barriers to interprovincial trade.

More intergovernmental cooperation is fourth on the list. Just as the free movement of goods, labour and capital enhances the region's, and the country's, economic efficiency, so too does greater intergovernmental cooperation.

One of the most often cited criticisms of government is that it operates in silos. Among the many costs of this balkanization is reduced economic efficiency. Citizens do not care about turf protection, the extra work required, ideological differences, the fear of competition or whatever it is that is holding back a seamless economic union in the West and in Canada. They expect their governments to figure this out and get on with it.

Rounding out the top five policy priorities is the recognition of foreign credentials. We have all heard the stories of engineers and physicians driving cabs because their foreign education and lack of Canadian experience are for some reason not good enough to allow them to work in their chosen profession in Canada. Notwithstanding the need to ensure high standards, there is widespread agreement that the vetting process is too slow, the deck is stacked against full recognition and, even if you manage to get accredited, language barriers, a lack of Canadian work experience, and discrimination remain in the way.

As with interprovincial trade and cooperation, the survey results suggest that there is an impatience with the squandering of the human capital new Canadians bring to the table.

In general, reducing taxes, although one of the most important traditional options for improving

competitiveness, ranks quite low compared to options that would see more tax dollars spent. Again, this does not mean that the experts we surveyed are against tax cuts, but it does indicate that their preference is to focus on other policy options.

1. Introduction

“Now therefore, you are cursed, and you shall never cease being slaves, both hewers of wood and drawers of water for the house of my God.” —Joshua 9:23

Recessions come and go as do short-term bursts of economic growth. What really counts is long-term economic prosperity and a sustained ability to compete in the international economy that helps make this possible. Borrowing an analogy from hockey, you don't want to be the player who scores a goal on his first shift in the NHL and is never heard from again, and you don't want to be the grinder who takes punches for a few years only to end up selling used cars for a living. What you want is a long and consistent *career* and a Stanley Cup ring or two to show for your efforts.

Western Canada (BC, Alberta, Saskatchewan and Manitoba) has been a strong player in the international economic game for many years. However, borrowing another analogy from hockey, you are only as good as your last shift. In other words, what does western Canada need to do to *stay* competitive and prosperous, especially given the long list of competitors looking to knock us out of the playoffs?

Some of the answers are tried and true (but worth noting nonetheless). These include keeping taxes in check and ensuring a high level of education. Others are more avant-garde and include efforts to cultivate creativity and develop green enterprises.

To help get a handle on what *governments* should be doing to maintain and increase western Canada's—and by extension

Canada's—international economic competitiveness, the Canada West Foundation conducted an online survey of experts drawn from the business, government, and academic sectors. The expert label is well-deserved as the 500 western Canadian respondents spend their days either running businesses or thinking about the economy.

This survey complements a public opinion poll on the same topic conducted by the Canada West Foundation in early 2008 with a random sample of 4,000 western Canadians. The results of the public opinion poll are summarized in *Competitive Mindset: Are Western Canadians Ready to “Go for Gold”?* by Brett Gartner and Loleen Berdahl (the report is available at no charge from www.cwf.ca). *Raising Our Game* does the same for the results of the expert survey.

As with the public opinion survey, the expert survey reveals strong support for a broad range of public policies that seek to sharpen the region's competitive edge. Both the public and experts see a major role for government in assisting the private sector to do what it does best.

This report follows the outline of the survey and examines policy options in the areas of infrastructure, trade, investment, human capital, taxes, environment, economic development programs, and the role of government. The report also includes analysis of the economic strengths, weaknesses, opportunities and threats facing the region as defined by survey participants. Commentary inspired by the survey results appears throughout the report and it concludes with a discussion of what the survey results say about the role of government and what it should be doing to help sure international economic competitiveness.

2. Methodology

In January and February 2009, an email was sent by the Canada West Foundation to 2,198 individuals believed to have direct and/or expert knowledge of issues related to western Canada's economic competitiveness. The list of potential respondents included representatives from the business sector, government, and academic institutions in western Canada. The survey remained open until February 27, 2009.

A total of 500 western Canadians completed the online survey for a response rate of 23%. It is important to note that the respondents do not constitute a representative or a random sample of western Canadians as the goal was to canvass specific individuals with specialized knowledge rather than the general population. Moreover, the degree to which the survey findings match with the views of the entire business, government and academic sectors in the West is unknown. Nonetheless, the findings provide insight into what this particular group of experts has to say about the region's economic competitiveness and the role public policy should play in improving it. The findings reveal the directions experts think public policy should go as well as several inconsistencies of opinion that render that way forward somewhat unclear.

Based on the population of each province, Alberta, Saskatchewan and Manitoba respondents are over-represented and BC respondents are under-represented.

Figure 1: In which province do you live?

	% of survey respondents	% of western Canada's populations
British Columbia	23%	44%
Alberta	46	35
Saskatchewan	15	10
Manitoba	16	12

3. Overall Ranking of Policy Options

The Top of the Pile

The survey asked respondents to rank the importance of 48 distinct public policy options for improving international economic competitiveness (see Figure 2). Respondents were *not* asked to rank the options compared to each other, but instead, were asked to rank each option individually as “critically important” or “not important” on a scale of 1 to 5 where 1 is “critically important” and 5 is “not important.” (Respondents also had the option of selecting “do not take government action in this area” or “don't know.”) Even though every option could be ranked as high or as low on the scale as any other, a hierarchy emerged as some options received more support than others.

Only a handful of respondents were *against* any of the options. The number of respondents ranking options as “not important” (either a 4 or a 5 on the scale) or as “do not take government action in this area” was very low in almost all cases. The differences lie in the number of respondents who felt that an option was worthy of a 1 or a 2 versus being lumped into the “mushy middle” with a ranking of 3 on the scale. As such, there is a lot that experts expect government to be doing to keep the economy competitive, but some things are clearly *more* important than others in their opinion. If the experts are right, and they are the experts, these are the areas on which governments should focus their efforts.

Three policy options, all related to trade, stand out on the list with each receiving the highest score on the scale (1) from more than 50% of respondents; between 86% and 93% of respondents ranked these options as either a 1 or a 2 on the importance scale.

The United States looms very large when it comes to western Canada's economy and this is reflected in these results in two key ways: first, over 9 in 10 respondents feel that it is either “critically important” (1) or just slightly less than this (2) to expand western Canada's trade with countries other than the US. The desire for market diversification, however, does not mean that we should abandon our best customer. This is

Figure 2: Thinking about maintaining and enhancing western Canada's international competitive edge, please rank the following areas of potential government action on a scale from 1 to 5 where 1 is "critically important" and 5 is "not important."

Rank	Areas of Potential Government Action	Rating "1"	Rating "2"	Ratings 1+ 2 combined
1	expanding trade with countries other than the US	59%	35%	93%
2	maintaining and enhancing free trade with the US	63	24	87
3	reducing barriers to interprovincial trade	64	22	86
4	more intergovernmental cooperation	48	36	84
5	better recognition of foreign credentials	40	42	82
6	increased funding for other post-secondary programs	38	43	81
7	reducing red tape	49	30	79
8	attracting skilled immigrants to western Canada	36	43	79
9	increased funding for universities and colleges	38	36	74
10	more emphasis on value-added production	35	38	72
11	more/better government incentives for private sector R&D spending	31	41	71
12	initiatives focused on China and India	35	36	70
13	electric power grid improvements	35	35	69
14	increased fiscal discipline	32	36	67
15	more/better government support for technological improvements	31	37	67
16	highway system improvements	27	39	66
17	urban public transit system improvements	37	28	65
18	increased employment opportunities for Aboriginal people	33	32	65
19	development of green products and services	33	31	63
20	encouraging creativity among K-12 students	28	36	63
21	increased environmental protection	26	37	63
22	development of green energy	36	24	61
23	greater focus on science and engineering at the post-secondary level	25	35	60
24	creating a single national securities regulator	30	30	60
25	more financial support for post-secondary students	23	37	60
26	natural capital maintenance and improvement	30	29	59
27	increased funding for entrepreneurial ventures	28	31	59
28	more action on climate change	26	32	58
29	increased foreign investment in Canada	18	40	58
30	urban road system improvements	17	40	57
31	rail system improvements	22	34	56
32	greater international environmental leadership	28	27	55
33	innovative marketing of western Canada abroad	19	33	53
34	port system improvements	23	29	52
35	telecommunication system improvements	18	33	51
36	reducing corporate income taxes	18	33	51
37	increased government spending on R&D	16	35	50
38	changes to the tax mix	23	27	50
39	reducing personal income taxes	20	30	50
40	increased government support for emerging industries	15	34	50
41	air transportation system improvements	21	29	49
42	reducing property taxes	18	21	39
43	increased funding for arts and culture	14	24	38
44	pipeline system improvements	6	30	37
45	more/better help for rural economies in transition	8	24	32
46	development of nuclear power	12	19	32
47	privatization of Crown corporations	10	14	23
48	reducing sales taxes	10	13	23

illustrated by the fact that the second most popular policy option is maintaining and enhancing free trade with the US. Experts agree: there are opportunities beyond the US market that we should pursue more aggressively, but we also need to recognize that much of our economic bread is still buttered by the US.

Internal trade is also heavy on the minds of the experts we surveyed with 64% identifying reducing barriers to interprovincial trade as “critically important” and 86% saying that this is either a 1 or a 2 on the importance scale. In keeping with this, more intergovernmental cooperation comes in at number four on the list of policy options for improving economic competitiveness. Just as the free movement of goods, labour and capital enhances the region’s, and the country’s, economic efficiency, so too does greater intergovernmental cooperation.

The public agrees with the experts on this; 85% of western Canadians believe that interprovincial trade barriers should be removed (Canada West Foundation Looking West Survey 2008¹). Both experts and the public understand the economic advantages of a less balkanized region and country, and both expect governments to sit down and figure out how to make this happen.

What about provincial autonomy? It is not about a loss of autonomy, but rather a matter of *voluntarily* agreeing to a *mutually beneficial* system. What about provincial standards? Common provincial standards do not have to result in a race to the bottom as there is nothing to prevent the setting of high common standards. Believe it or not, governments do not sit around thinking of ways to make worksites less safe or how to pollute the environment; it is a question of getting them to sit down *together and often* to hammer out ways to align policy and cooperate with one another. This reduces government’s drag on the economy, saves tax dollars, makes it easier for the private sector to do business and makes the region more attractive to investors.

One of the most often cited criticisms of government is that it operates in silos. Among the many costs of this balkanization

is reduced economic efficiency and, in turn, a duller rather than sharper competitive edge. Citizens do not care about turf protection, the extra work required, ideological differences, the fear of competition or whatever it is that is holding back a seamless economic union in the West and in Canada. They expect their governments to figure this out and get on with it.

Rounding out the top five policy priorities is another old chestnut: the recognition of foreign credentials. We have all heard the stories of engineers or physicians driving cabs because their foreign education, training and experience are for some reason not good enough to allow them to work in their chosen profession in Canada. Notwithstanding the need to ensure high standards, there is widespread agreement that the vetting process is too slow, the deck is stacked against full recognition and, even if you manage to get your bone fides approved, language barriers, a lack of Canadian work experience, and discrimination remain in the way. As with interprovincial trade and cooperation, the survey results suggest that there is an impatience with the squandering of the human capital new Canadians bring to the table. Attracting skilled immigrants to western Canada also ranks high and sits in eighth spot on the list of policy priorities.

Education is routinely recognized as a fundamental element of competitiveness so it is no surprise that two policy options related to post-secondary education appear in the top ten: increased funding for non-university post-secondary programs and increased funding for universities and colleges. The slightly higher ranking of more funding for non-university programs highlights the sense among experts that universities and colleges are important, but not the whole story when it comes to post-secondary education. Unfortunately, the survey could not delve deeply into how the funding should be used. Nonetheless, the results show an appreciation for the connection between higher education and competitiveness and suggest that there is a feeling among experts that, if we are going to put money into something in the name of economic competitiveness, higher education is a good place to put it.

Reducing red tape sits at number seven on the list. The dampening effect of red tape on economic competitiveness is well known and is not unique by any means to Canada. Red tape’s high ranking on the list suggests that experts feel that that there is too much red tape in the Canadian system. Some

1 See Berdahl, Loleen. 2008. *A Trading Region: Western Canadian Attitudes About Trade*. Canada West Foundation. http://www.cwf.ca/V2/files/LW08_4.pdf

red tape (e.g., regulations and accountability procedures) is necessary, but it tends to accumulate over time and often has many unintended consequences. Hence, constant vigilance against the accumulation and negative side-effects of red tape is necessary.

The last policy issue to sneak into the top ten is another longstanding concern and is often associated with the general goal of economic diversification: more emphasis on value-added production. The lack of diversification creates anxiety in the West where fortunes are dependent on highly volatile commodity markets. Moreover, it seems like a no-brainer to want to capture more of the economic activity associated with raw materials by processing them locally rather than shipping them off in virgin form. After all, moving up the value chain creates jobs and helps smooth out the bumps of a commodity-driven economy.

However, this desire should not obscure two important facts: 1) western Canada cannot, and should not want to, compete with low-cost processing in other countries. If adding value locally does not make economic sense, trying to force the matter with artificial incentives will only set us up for failure down the road; and 2) we should think carefully about where on the value chain we want to be. Do we want to focus on turning wheat into pasta and bitumen into motor oil or do we want to skip several links in the chain and focus on knowledge- and service-oriented activities such as designing new strains of wheat and teaching people around the world how to drill through rock? This does not mean that we should abandon efforts to beef-up secondary manufacturing where it makes economic sense, but to point out that we may want to aim a little higher than a new chicken processing plant or bitumen upgrading facility as images of our economic future.

The Bottom of the Pile

Having looked at the top of the pile, it is also interesting to look at the bottom. There are eight policy options that less than half of the respondents felt deserved either a 1 or 2 on the importance scale (see Figure 2).

Reducing sales taxes sits at the very bottom with only 23% of respondents ranking it as a 1 or 2. This number rises to 26% if the Alberta responses are excluded (Alberta has no provincial

sales tax, so the need to reduce sales taxes is less pressing overall in the province.) It is unclear if the lack of interest in reducing sales taxes is because respondents feel that they are low enough or if they feel that they are a “good” form of taxation (i.e., taxing consumption is better than taxing income and investment). Either way, and despite the popularity of the recent GST cuts among the public, experts are not falling over themselves demanding reductions to the PST and GST. With that said, the open-ended comments provided by respondents show a good degree of support for harmonizing provincial sales taxes with the federal GST. The experts on the federal Competition Policy Review Panel agree and recommend that “the provinces of Ontario, Manitoba, Saskatchewan, British Columbia and Prince Edward Island should move expeditiously to harmonize their provincial sales taxes with the goods and services tax.”² Ontario has since announced that it will harmonize its sales tax with the GST (though the federal government had to pay Ontario to do it and it has become an issue in the province as the public has expressed concerns about the new tax applying to items that were PST-exempt). The public in Ontario, and likely elsewhere, is less impressed with the economic efficiency arguments of harmonization than are experts!

In general, reducing taxes, although one of the most important traditional options for improving competitiveness (and rightly so given the economic benefits of reduced taxes), ranks quite low compared to options that would see more tax dollars spent. Again, this does not mean that the experts we surveyed are against tax cuts, but it does indicate that their preference is to focus on other policy options. Respondents are aware that it a question of tradeoffs; low taxes do not pave roads or help immigrants learn English.

This challenges the image of economic thinkers and business leaders as obsessed with lowering taxes at the expense of all other considerations (although support for the importance of reducing taxes is somewhat stronger among business sector respondents, the difference is not large and tax changes still rank below other options among this group). While one can get this impression sitting in on a meeting of grumpy old men, the

² *Compete to Win: Final Report June 2008*. http://www.ic.gc.ca/eic/site/cprp-gepmc.nsf/eng/h_00040.html See also McKenzie, Ken. 2008. *Business Taxation in Western Canada: Settling for a Personal Best?* Canada West Foundation. http://www.cwf.ca/V2/files/GFG6_McKenzie.pdf

experts who participated in this survey are willing and able to see beyond this traditional hobbyhorse. It may also be the case that respondents do not feel that the current tax load is wildly excessive given the public services it makes possible.

What is unfortunate, is that the issue of changing the tax mix—as opposed to cutting tax rates (e.g., increasing consumption taxes and reducing income taxes)—ranks relatively low on the list despite the very clear and well-substantiated economic advantages of these sorts of reforms. Given the need to expend large amounts of political capital to overcome the suspicion that would accompany any change to the tax mix, the lack of urgency on the part of experts, and suspicion on the part of the general public, we are not likely to see significant tax reform in the near future unless the benefits of changes to the tax mix are more clearly and aggressively communicated.

The privatization of Crown corporations is virtually tied with reducing sales taxes for the lowest position. Governments still own a lot of businesses, but it doesn't seem to be the hot button issue that it was in the 1980s and early 1990s when "privatization" was a buzzword in policy circles. Support for privatization is highest in Saskatchewan, but it still only gets a 1 or a 2 on the importance scale from 27% of Saskatchewan respondents.

Whatever its pros and cons, nuclear power is not seen by this group as critically important to the regional economy. Nuclear power is one of only four policy options that a greater number of respondents labeled as unimportant or not worthy of government action than as critically important (the other options in this group are reducing sales taxes, pipeline system improvements,³ and the privatization of Crown corporations). While not at the top of the list, the development of green energy, such as wind and geothermal power, sits comfortably in the middle (admittedly, some respondents may view nuclear energy as a form of green energy, but the lower scores for the nuclear option suggest that this number is small). Given its rich endowment of uranium, Saskatchewan respondents stand out from the crowd and are much more supportive of developing

nuclear power. Almost 30% of Saskatchewan respondents labeled this option as critically important and a full third gave it a 2 on the importance scale.

Given the pervasiveness of images of the rural West and the region's bounty of natural resources found in its rural areas, it is somewhat surprising to see more and better help for rural economies in transition sitting so low on the list with only 8% of respondents viewing this as critically important to economic competitiveness and only a quarter giving it a 2 on the importance scale. This may reflect a sense that current efforts to help rural communities are sufficient or it may be rooted in a belief that rural economies are simply not where the action is when it comes to gaining a competitive edge. In either case, the experts agree that doing more in this area is not a priority. The public, however, is much more supportive with almost 8 in 10 western Canadians arguing that governments should take steps to protect Canada's rural economies rather than leave them to succeed or fail without government intervention (Canada West Foundation Looking West Survey 2008⁴). These two findings need to be compared with caution because the wording of the questions is different, but they nonetheless suggest that the public at large is more concerned with the social reasons for helping rural communities than with the economic pros and cons.

Another notable result of the survey, and one that will provide at least some cheer to arts and culture advocates, is that increasing funding for arts and culture did not come dead last on the list of priorities as it did on the public opinion survey.⁵ Despite a great deal of discussion and steadily increasing empirical evidence of the role of arts and culture in spurring economic competitiveness, neither the public nor the experts we surveyed see it as a top or even mid-level priority.

A creative workforce and innovation in the economy, however, are often seen as pillars of competitiveness and this is reflected in the expert survey results in the relatively high ranking of funding for post-secondary education, research and development, technological improvements, and encouraging creativity among

3 The two most likely explanations for the low ranking of pipeline system improvements are: 1) western Canada already has an excellent pipeline system; and 2) respondents may have felt that this is an area in which the private sector does not need significant government assistance at this time.

4 See Berdahl, Loleen. 2008. *Strategic Investments: Western Canadian Attitudes About Government and the Economy*. Canada West Foundation. http://www.cwf.ca/V2/files/LW08_3.pdf

5 *Ibid.*

K-12 students. The public and the experts, while not against supporting arts and culture, are not quite ready to make the connection between it and economic competitiveness and, by so doing, propel it higher up the list of priorities. Interestingly, a large number of experts are comfortable with the notion popularized by, among others, Sir Ken Robinson, that greater creativity in the school system will lead to a smarter and more innovative workforce down the road.

4. SWOT Analysis

Respondents were asked to perform a SWOT (strengths, weaknesses, opportunities, threats) analysis of their provincial economies. The questions were open-ended (i.e., respondents were not given a list of options to choose from but a blank space to fill in as they saw fit).

Internal Strengths

“What are the three main internal strengths of your province’s economy?” (n=343)

As if the respondents were students copying off one another, almost everyone who answered the question (343) cited natural resources and a well-educated population (or some variation on these themes) as internal strengths. Although often used as a negative image, the picture of the West as a land of hewers of wood and drawers of water fits these results. This image, however, is accompanied by an equally strong sense that smart people are one of our region’s chief assets.

Although the service sector is by far the largest sector of the economy, it is not a surprise that the region’s resource wealth stands out as a key strength. Resource commodities dominate the West’s export profile and provide a good part of the foundation upon which the service economy rests. You wouldn’t, for example, have over a million people in Calgary running convenience stores, fixing tooth decay, building houses, selling shoes and so on if there was no oil and gas sector to get the economic ball rolling.

At the same time, it is encouraging to see the emphasis on the West’s human capital as an economic strength as this fits perfectly with the region’s status as an advanced economy with tentacles reaching deep into the knowledge sectors. Our human capital, moreover, is the reason we are able to compete with other natural resource exporters that do not face the same geographic challenges. You don’t just scatter seeds and get wheat on the Prairies and you don’t just stick a pipe in the ground and get bitumen. It is *ingenuity* that has enabled the West’s resource industries to thrive and that will continue to keep them competitive.

This points to the critical importance of basic and advanced education, skills training, lifelong learning, innovation, creativity, immigration, foreign credential recognition, and improved education and labour market outcomes among Aboriginal people. If we want to maintain and enhance our human capital advantages, these areas need constant and additional attention.

There are some minor but interesting provincial differences in the open-ended responses. A popular internal strength mentioned by Alberta respondents is entrepreneurial spirit. Whether or not Albertans are more or less entrepreneurial than other westerners, other Canadians, or people in other countries is unclear, but the image of the can-do Alberta business maverick is certainly part of the political culture in the province. Respondents from Manitoba are more likely to mention the diverse economic base of the province as a strength and both BC and Manitoba respondents are more likely to mention location (on the Pacific rim in the case of BC and in the centre of the continent in the case of Manitoba) and the availability of hydropower as internal strengths.

Internal Weaknesses

“What are the three main internal weaknesses of your province’s economy?” (n=345)

The most commonly cited internal weakness is the old chestnut of a lack of economic diversification. Respondent after respondent from BC, Alberta and Saskatchewan mentioned the

heavy reliance on natural resources and the lack of value-added production (both within the resource sector and beyond it). Not a single respondent from Manitoba mentioned resources or a lack of diversification as a weakness. Dependence on volatile oil and gas markets was a major concern among Alberta respondents. While there is recognition that the resource base is a major strength (see above), the flipside of this coin is a high level of anxiety (at least among respondents outside Manitoba) that the reliance on natural resources perpetuates the boom and bust cycle, faces increasing environmental challenges, and crowds out other opportunities. Cited less often, but related to this theme, is the region's heavy reliance on the US market (access to which is also a strength) and the need to diversify our export markets.

Another major concern, this time across all four provinces, is the need to better engage the Aboriginal population in the labour force. It is also interesting to note, especially given the identification of an educated workforce as a major strength, that insufficient funding for post-secondary education was mentioned numerous times as a weakness. The environment was also a common theme with some respondents noting the need for better environmental performance because of opportunities in the green economy while others stressed the threat of internally and externally imposed environmental policies that will put the region at a disadvantage.

Other frequently mentioned internal weaknesses include the small domestic market, distance to international markets, infrastructure shortfalls, the aging population, ongoing skills shortages, water shortages, unresolved Aboriginal land claims and high taxes.

External Opportunities

“What are the three main external opportunities facing your province's economy?” (n=323)

The region's natural resources once again dominate with most respondents mentioning global demand for natural resources

as an external opportunity. Whatever we may think about the future of the creative economy and knowledge exports, they barely register among this group of experts when asked to consider external opportunities. For better or worse, *future* opportunities are defined by *past* opportunities (i.e., external demand for raw and semi-processed commodities). Despite past fluctuations in commodity prices, potential technological breakthroughs that could change demand, and new low-cost competitors in the resource sector, a great deal of confidence was expressed regarding the “long-term global demand for our resources.” It is interesting to note that demand for our water was mentioned several times. The idea of selling Canadian water is a very emotional issue with numerous supporters and detractors. Thus, while selling water may be an economic opportunity, it is a public policy minefield.

Some respondents suggested that there are opportunities to sell more *value-added* resource products. It remains unclear, however, if the demand for valued-added resource products from the West would be as great as the demand for the raw and semi-processed products. Can we create a comparative advantage over other processors? In other words, is this a real opportunity or a mirage and, if it is real, what has to change for us to seize it? This question has dogged the region for decades.

The other mainstay among the responses is the opportunity created by the continued growth of China and other countries and regions (China, Asia and India received the most citations but Australia, Europe, South America, and Africa were also mentioned). This was often combined with the desire to take advantage of *non-US* markets to diversify the region's export destination profile. At the same time, just as trade with the US is seen as a strength and dependency on the US as a weakness, the desire to capitalize on non-US export markets was almost matched by references to our good fortune of being next door to the world's largest economy. Like resources, our relationship with the US economy is seen as a double-edged sword—one that cuts across just about any discussion of the regional economy.

Although not as popular as demand for resources and the rise of China and other economies, the idea that there is a growing market for green products (including green energy) was a common response as was the idea of increasing tourist visits to the region. Some see the green revolution as a potential boon while others define it as a new prerequisite for doing business (i.e., get green or get lost).

Only a handful of respondents mentioned knowledge or service sector opportunities such as exporting professional services, becoming a world leader in health services, or becoming a magnet for foreign students (i.e., selling education to foreign markets). Clearly, Richard Florida can give speech after speech and Tom Friedman can write bestseller after bestseller without significantly changing the expert consensus regarding where western Canada's future economic opportunities lie. If the survey respondents are right, we should keep our axes sharp and buckets at hand to remain the hewers of wood and drawers of water we see ourselves as.

Finally, many respondents from Manitoba were excited about the prospect of exporting hydropower, and the demand for nuclear energy was seen as promising by several respondents from Saskatchewan.

External Threats

“What are the three main external threats facing your province's economy?” (n=325)

There was a great deal of focus on the short-term disruptions created by the global economic slowdown and credit crisis. Looking beyond the short-term, the two most commonly cited external threats are the rise of protectionism (especially in the US) and the negative economic effects of environmental policies (e.g., GHG restrictions and “dirty oil” legislation). As one respondent put it, there could be an “environmental backlash” against the region that could, as another respondent argues, lead to the “shunning of our products.” A handful of respondents cited the actual effects of climate change as a threat (e.g., new weather patterns and drought) as opposed to the costs imposed by climate change policies and a small number noted the possibility of technological change reducing the demand for fossil fuels. It is interesting that roughly the

same number of respondents see the green economy as a *threat* as see it as an *opportunity*.

There was some concern that other countries are moving faster and more effectively in areas such as education, the knowledge economy, innovation, technology development and adoption, and creativity. Concern was also expressed regarding productivity gaps between western provinces and other jurisdictions and the rise of lower cost commodity producers.

Other common concerns include the brain drain and the fear that the West will have increased difficulty attracting skilled immigrants to meet labour demands as other destinations become more attractive; political interference by the federal government and its tendency to focus on central Canada; and lower taxes in other jurisdictions.

5. Policy Sector Analysis

The following section provides a more detailed overview of the results by policy sector.

Transportation and Competitiveness

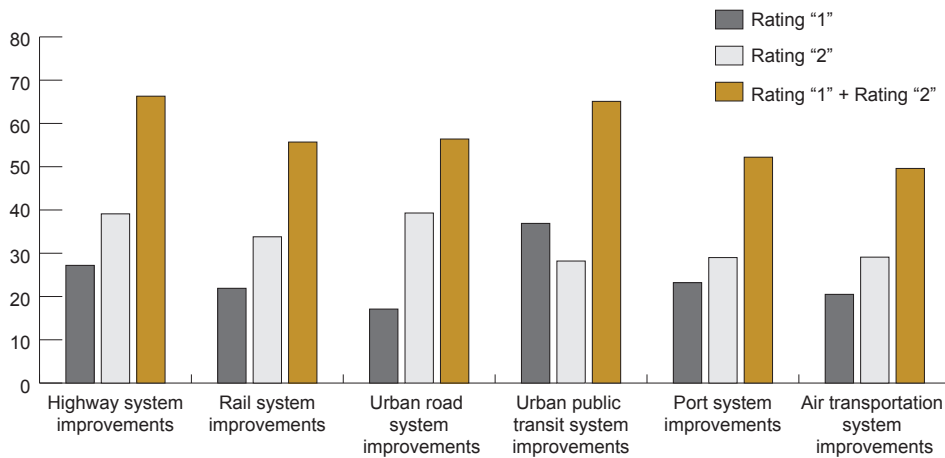
Survey Question: Thinking about maintaining and enhancing western Canada's international competitive edge, please rank the following areas of potential government action on transportation on a scale of 1 to 5 where 1 is "critically important" and 5 is "not important"

Observations: Transportation infrastructure is a prerequisite of an internationally competitive economy. If you can't move goods and people around quickly, safely, securely, cheaply and, more and more, "greenly," your economic performance will suffer. This is particularly true in a region as large as western Canada. Transportation infrastructure is also typically seen as a public

good that government has a clear and major role in providing (notwithstanding significant private involvement in a variety of ways including construction, operation, and financing).

The survey results reflect this with a large proportion of the respondents identifying government action on transportation as important. However, whether it is because there is a sense that our transportation assets are sufficient or that other areas of policy action are simply more important, the transportation options do not crack the top ten priorities (when the 1 and 2 response options are combined). With that said, when looking at the "critically important" response category only, urban public transit system improvements rank ninth on the list of priorities with 37% viewing this as a critically important competitiveness policy matter. Based on numerous conversations with people across western Canada, there is a strong sense that other jurisdictions around the world are ahead of us when it comes to public transit and that this element of transportation infrastructure is key to efficient and attractive urban centres.

Figure 3: Transportation and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
Highway system improvements	27.2	39.1	24.8	5.7	2.0	0.2	1.1	460
Rail system improvements	21.9	33.8	24.5	8.9	1.3	3.9	5.6	461
Urban road system improvements	17.1	39.3	28.4	10.7	2.2	0.4	1.8	450
Urban public transit system improvements	36.9	28.2	21.8	8.7	2.4	0.9	1.1	458
Port system improvements	23.2	29.0	19.2	7.5	3.5	2.9	14.6	452
Air transportation system improvements	20.5	29.1	30.0	9.3	3.7	2.9	4.6	454
Other								26

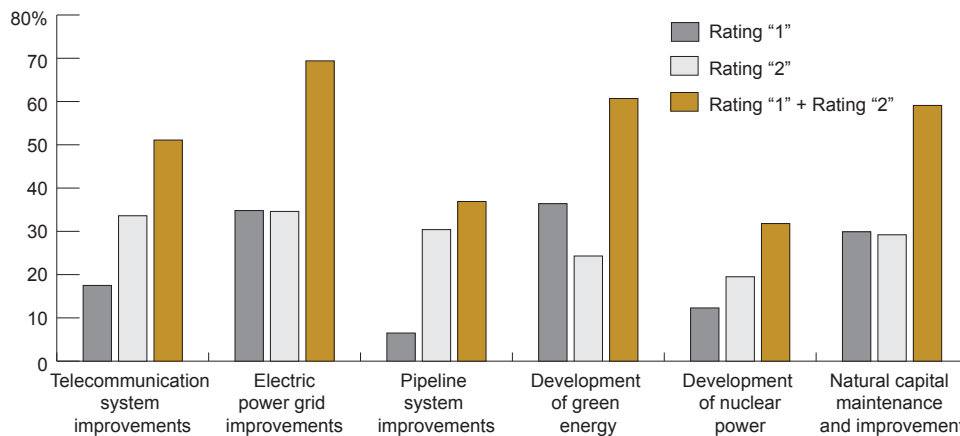
Ports are not well understood in the landlocked provinces of Alberta and Saskatchewan and this may explain both the lower numbers for this policy option and the almost 15% of respondents who chose “don’t know.” Air connections, while fundamentally important to tourism and business meetings, rank the lowest out of the transportation categories (when the 1 and 2 response options are combined). Again, the survey results do not explain why this is the case—it is not clear if respondents feel that the air transportation system is good enough or if it is more a matter of other transport issues taking precedence at this time. The fact that only 3% said that government should not take action in this area suggests that air transport is seen to be within the government bailiwick even though other transport issues rank higher in terms of priority.

Infrastructure and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada’s international competitive edge, please rank the following areas of potential government action on infrastructure on a scale of 1 to 5 where 1 is “critically important” and 5 is “not important.”

Observations: Unlike transportation infrastructure, there is a fair bit of variation across the other infrastructure options presented in the survey. There is strong support for electric power grid improvements, for the development of green energy such as wind and geothermal power, and for the maintenance and improvement of natural capital. It is interesting that respondents seem quite comfortable with the connection between natural capital and economic competitiveness and with the potential advantages presented by green energy alternatives. With

Figure 4: Infrastructure and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
Telecommunication system improvements	17.5	33.6	25.0	8.6	1.8	8.4	5.0	440
Electric power grid improvements	34.8	34.6	18.0	7.0	0.7	2.2	2.7	445
Pipeline system improvements	6.5	30.4	31.1	12.1	2.1	10.0	7.9	431
Development of green energy (e.g., wind, geothermal)	36.4	24.3	23.4	6.7	3.8	4.3	1.1	445
Development of nuclear power	12.3	19.5	24.5	16.1	10.9	11.1	5.5	440
Natural capital maintenance and improvement (e.g., wetlands, watersheds, air sheds, farmland, natural areas)	29.9	29.2	28.1	8.4	1.4	1.8	1.1	438
Other								16

regard to the latter, it may be the case that some respondents see green energy as an opportunity while others see it as a necessity given international pressure to reduce GHGs (the open-ended comments certainly reinforce this division). Either way, green energy infrastructure is on the radar screen.

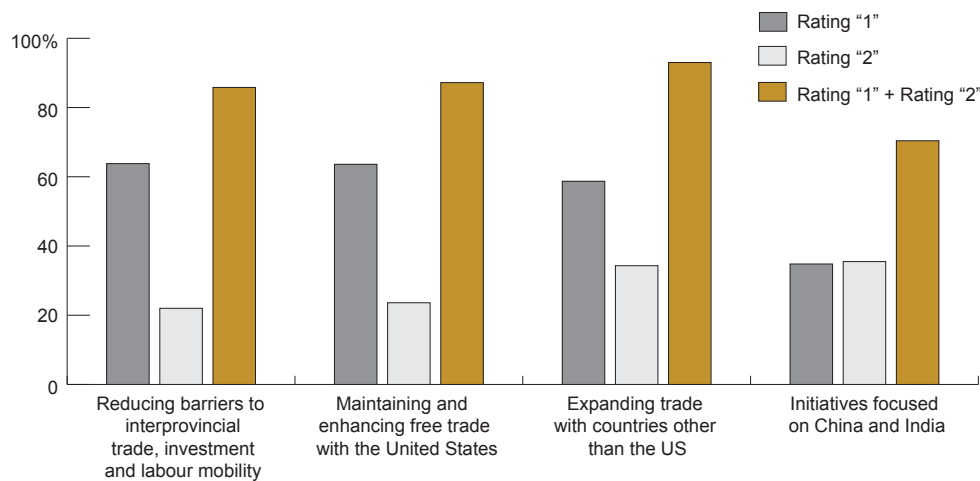
Where support is weak is in the areas of pipelines and nuclear power. Pipeline system improvements received the lowest number of critically important responses (6%) and a relatively higher number of “don’t take government action in this area” responses (10%). This is likely the combined effect of satisfaction with the state of the existing pipeline system and the sense that the private sector has a much larger role to play here than government. The relative lack of popularity for the development of nuclear power outside Saskatchewan (at least as a source of competitive edge) has already been discussed.

Trade and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada’s international competitive edge, please rank the following areas of potential government action on trade on a scale of 1 to 5 where 1 is “critically important” and 5 is “not important.”

Observations: As discussed already, the experts clearly see trade as the most important element of a competition policy strategy. This makes sense given that, as one respondent notes, “Canada is and always will be a relatively small market. For that reason, maintaining and expanding access to international markets and facilitating inbound investment is critically important.” There is less certainty about initiatives aimed at China and India specifically, but there is still a great deal of support for action focused on these two countries. The repeated references to expanded trade with China, India and Asia as external opportunities in the SWOT analysis supports this observation.

Figure 5: Trade and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
Reducing barriers to interprovincial trade, investment and labour mobility	63.8	22.0	10.1	2.0	0.9	0.7	0.4	445
Maintaining and enhancing free trade with the United States	63.6	23.6	9.4	1.3	0.7	0.7	0.7	445
Expanding trade with countries other than the US	58.7	34.3	4.9	1.1	0.2	0.2	0.4	446
Initiatives focused on China and India	34.8	35.5	21.5	3.8	1.4	0.9	2.0	442
Other								17

Investment and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada’s international competitive edge, please rank the following areas of potential government action on investment on a scale of 1 to 5 where 1 is “critically important” and 5 is “not important.”

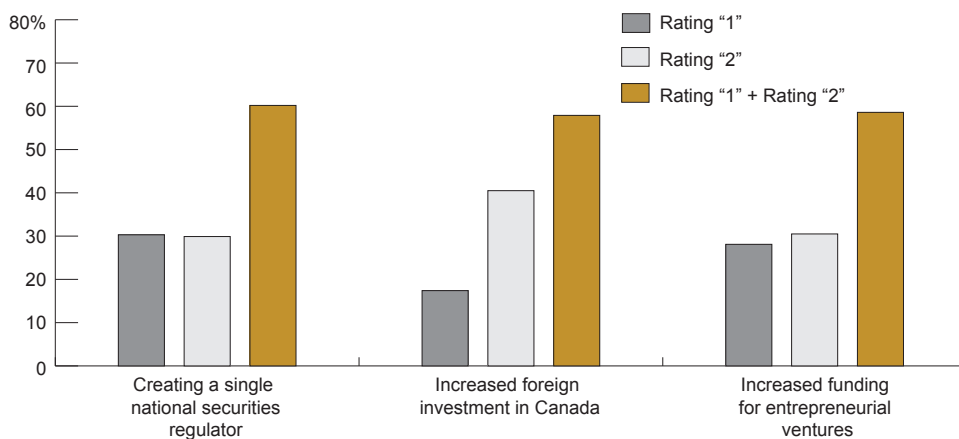
Observations: Few economic topics raise emotions in the way that the specter of foreign investment does. Former Alberta Premier Peter Lougheed has argued passionately about the hollowing out of Canadian industry by foreign takeovers while others stress the economic advantages of foreign investment and the negative consequences of capital flowing to our competitors. Fears about the erosion of Canadian sovereignty are contrasted with opportunities to grow global businesses, access new technology and secure much needed capital.

Most of the experts who participated in the survey, however, support increased foreign investment in Canada, with only 6% saying that this is either not important or an area in which government should not take action. Increasing foreign investment does not rank as high as other policy options, but it is clearly not something that respondents are against. The public is not as convinced. Although the question was worded differently, the 2008 Looking West Survey found that only 49% of western Canadians support higher levels of foreign investment in Canada.⁶

Two other policy options related to investment were presented: creating a single national securities regulator that would replace the provincial system now in place and increased funding for entrepreneurial ventures. The goal of the former is to improve the efficiency of the domestic capital market and the goal of the

⁶ See Berdahl, Loleen. 2008. *Strategic Investments: Western Canadian Attitudes About Government and the Economy*. Canada West Foundation. http://www.cwf.ca/V2/files/LW08_3.pdf

Figure 6: Investment and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
Creating a single national securities regulator	30.3	29.9	18.8	7.7	3.4	2.5	7.5	442
Increased foreign investment in Canada	17.4	40.5	27.1	7.0	1.8	3.8	2.3	442
Increased funding for entrepreneurial ventures	28.1	30.5	23.8	6.3	2.0	7.9	1.4	442
Other								19

Figure 7: Foreign Direct Investment Positions at Year End

	2005	2006	2007	2008
Canadian direct investment abroad (\$ billions)				
United States	202.4	229.7	230.6	310.7
United Kingdom	46.4	57.6	59.2	54
Barbados	34.6	40.5	32	45
Bermuda	11.1	20	18.3	22.3
Ireland	19.8	20	19.1	20.5
Cayman Islands	8.6	16.7	16.7	19.2
France	14.6	16	15.2	18.7
Hungary	5.4	6.2	9.2	10.8
Germany	7.4	9.1	8.7	10.5
Brazil	6.8	9	8.9	9.2
Switzerland	5.3	7.6	7.1	9.1
Netherlands	9.9	7.7	6.2	8.4
Australia	8	6.8	7	7.1
Chile	5.3	4.6	5.9	6.4
All other countries	66.5	73.3	71.5	85.5
Total	452.2	524.7	515.4	637.3
Foreign direct investment in Canada (\$ billions)				
United States	251.5	271.1	292.7	293.6
United Kingdom	29.5	37.8	52.4	54.4
Netherlands	21.1	24.8	30.6	33.9
France	28.3	16.9	17.1	18.5
Switzerland	13.1	14.7	13.6	15.3
Japan	10.5	13.4	13.6	13
Brazil	3.1	11.8	11.2	11.9
Germany	8.8	8.4	9.2	9.4
Luxembourg	3.6	6.6	5.4	5.7
All other countries	28.5	33.2	45.4	49.1
Total	397.8	438.6	491.3	504.9

Source: Statistics Canada, *The Daily*, April 8, 2009. Note: Direct investment is a component of the international investment position that refers to investment of a resident entity in one country obtaining a lasting interest in an enterprise resident in another country. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence by the investor on the management of the enterprise. In practice, direct investment is deemed to occur when a company owns at least 10% of the voting equity in a foreign enterprise.

latter is to increase the flow of venture capital that is needed to get new businesses off the ground. Neither option tops the list of potential policy actions, but as with increasing foreign investment, very few experts think that these are bad ideas.

Human Capital and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada's international competitive edge, please rank the following areas of potential government action on human capital on a scale of 1 to 5 where 1 is "critically important" and 5 is "not important."

Observations: Without human capital, you don't have an economy and without highly skilled human capital, you don't have an advanced and prosperous economy. In a service-oriented economy like that of western Canada, an educated workforce is essential. The importance of education has, moreover, increased as low-skilled manufacturing jobs have moved to other countries, as the importance of innovation has jumped and as opportunities in the knowledge economy have developed. This is true within traditional natural resource industries as well. Take the oil sands for example: it was creativity embedded in human capital that figured out how to get the oil out of the sand and it will be creativity that figures out how to do this in cheaper and greener ways. The future of the West, in other words, lies in its ability to cultivate and apply its human capital.

The importance of this is clearly reflected in the survey results. Four of the top ten policy options involve human capital, and eight of the nine human capital policy options in the survey received high scores from between 60% and 82% of the experts we surveyed. Hardly anyone indicated that policy action in these areas was not important or not an appropriate area for government action. The one exception is increased funding for arts and culture. As discussed above, the link between general support of arts and culture and the development of human capital is not yet as strong as understanding of the

positive human capital effects generated by attracting skilled immigrants, recognizing the credentials of those immigrants, increasing funding for post-secondary education, creating more opportunities for Aboriginals, greater focus on science and engineering, and encouraging creativity among students.

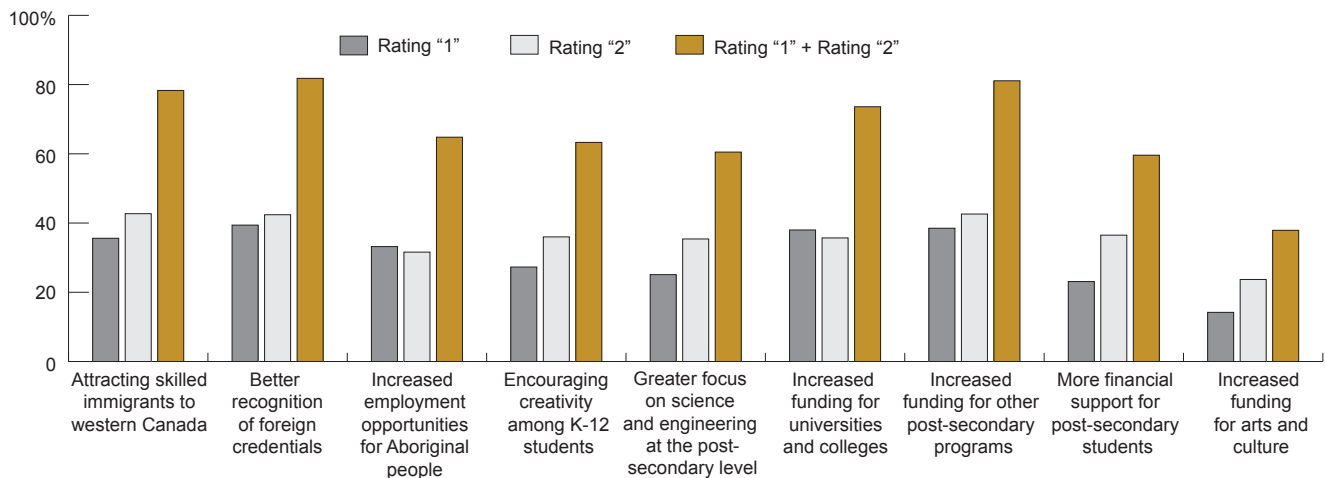
Taxes and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada's international competitive edge, please rank the following areas

of potential government action on taxes on a scale of 1 to 5 where 1 is "critically important" and 5 is "not important."

Observations: No one likes taxes, but Canadians generally accept them if they feel they are getting something useful in return. Wasting tax dollars, on the other hand, is a surefire way to raise eyebrows. A lot depends, however, on your definition of waste. In Calgary, for example, a debate has erupted over whether hiring a world-renowned architect to design two pedestrian bridges was a waste of tax money or a valid investment in the city's public space. It also depends on whether or not you

Figure 8: Human Capital and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
Attracting skilled immigrants to western Canada	35.6	42.7	14.6	3.9	0.7	2.1	0.5	438
Better recognition of foreign credentials	39.4	42.4	13.0	2.3	0.7	0.5	1.8	439
Increased employment opportunities for Aboriginal people	33.2	31.6	23.4	5.7	2.3	2.7	1.1	440
Encouraging creativity among K-12 students	27.3	36.0	25.1	5.9	1.6	2.1	2.1	439
Greater focus on science and engineering at the post-secondary level	25.1	35.4	25.1	8.4	1.4	2.3	2.3	438
Increased funding for universities and colleges	38.0	35.7	19.1	4.5	0.9	0.9	0.9	440
Increased funding for other post-secondary programs (e.g., apprenticeships, skills upgrading, lifelong learning)	38.5	42.6	14.1	2.1	0.9	1.4	0.5	439
More financial support for post-secondary students	23.1	36.5	26.9	7.5	3.2	1.1	1.6	438
Increased funding for arts and culture	14.2	23.7	35.6	14.4	7.5	3.2	1.4	438
Other								21

think we should have “big” government, “small government” or something in between. If you listen to the Canadian Taxpayers Federation (CTF), you get the impression that all taxes are bad. This leaves one to wonder how we would pay for all the public services and collective projects that Canadians demand.

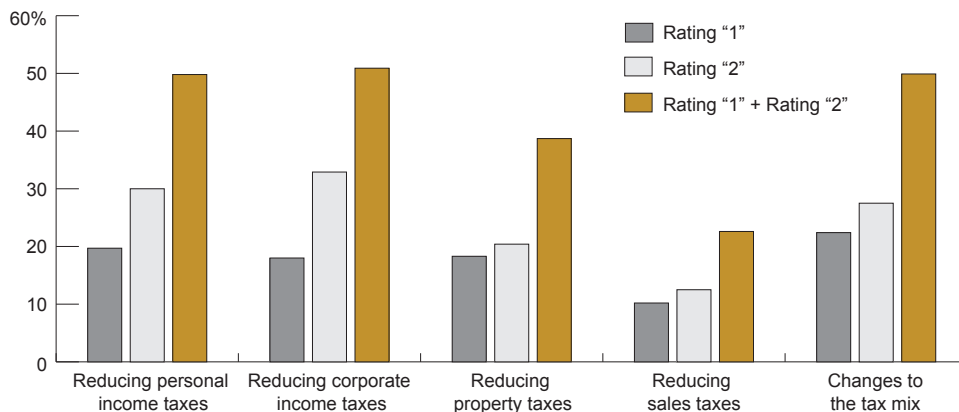
Given the business-friendly nature of the group of experts we corralled for this survey and the bleating of organizations like the CTF, one would have expected tax reductions to at least crack the top ten policy priorities, but they didn’t. Again, while there is general support for reducing taxes, this option is simply not seen as important as other steps that government could take—steps that often involve *spending* more tax dollars. People do not want western Canada to turn into Mississippi. With that said, high taxes definitely do not benefit an economy and, with the exception of reducing sales taxes, less than 15% of

respondents indicated that reducing taxes was not important or not area for government action.

It should also be noted that the survey did not force respondents to decide between new expenditures or lower taxes. Nonetheless, options such as increased funding for universities and colleges and highway system improvement simply increased government spending that either has to come from higher taxes (including user fees and other sources of government revenue) or a redistribution of current spending.

Either because sales taxes are seen as a better tax by respondents or simply because reducing them is not seen as an immediate priority, cutting sales taxes is the least popular option. This can be explained in part by the fact that a large number of respondents are from Alberta where there is only the recently reduced GST in place.

Figure 9: Taxes and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
Reducing personal income taxes	19.7	30.0	27.3	11.0	9.2	1.6	1.1	436
Reducing corporate income taxes	18.0	32.9	24.9	12.1	8.2	3.0	0.9	438
Reducing property taxes	18.3	20.4	30.3	16.2	11.3	2.5	0.9	432
Reducing sales taxes	10.2	12.5	25.9	18.0	23.3	8.5	1.6	433
Changes to the tax mix (e.g., replacement of income tax with consumption tax)	22.4	27.5	22.7	8.7	6.9	5.5	6.4	437
Other								39

As a forthcoming Canada West Foundation report⁷ and other research shows, changes to *how* we tax rather than to tax rates can have a tremendous influence on the competitiveness of the tax system and, in turn, the economy. Despite mounting evidence, awareness and debate about the advantages of changes to the tax mix in western Canada are relatively low. This is demonstrated by the fact that almost a fifth of survey respondents said that changing the tax mix is not important, not something government should undertake, or that they don't know enough about the issue.

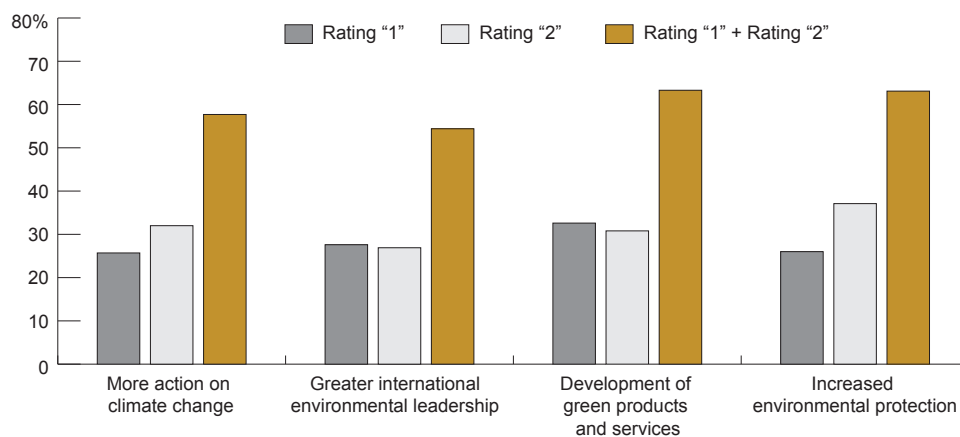
Environment and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada's international competitive edge, please rank the following areas of potential government action on the environment on a scale of 1 to 5 where 1 is "critically important" and 5 is "not important."

Observations: The West is home to one of the greatest stores of natural capital in the world. From the northern lights and diamonds to the boreal forest, from vast stores of oil and gas to the eastern slopes of the Rockies and the lakes of Manitoba, western Canada overflows with natural beauty, and natural resources, and is home to an array of ecological "goods and services." Harvesting this bounty as well as maintaining it are at the core of the region's comparative advantage and its quality of life.

⁷ Vander Ploeg, Casey. Forthcoming in 2009. *Ready for Takeoff: Bold Tax Policy Moves for a More Competitive Western Canada*. Canada West Foundation.

Figure 10: Environment and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
More action on climate change	25.7	32.0	23.0	10.7	4.8	3.0	0.9	440
Greater international environmental leadership	27.6	26.9	26.9	11.2	4.8	1.6	1.1	439
Development of green products and services	32.6	30.8	19.8	7.5	3.2	5.2	0.9	439
Increased environmental protection	26.0	37.1	22.6	9.8	2.7	0.9	0.9	439
Other								18

There is growing awareness that economic competitiveness and environmental issues are becoming linked in three key ways: 1) jurisdictions that do not take action on environmental issues, such as reducing greenhouse gas emissions, may be penalized by a global marketplace that is increasingly demanding greener processes and products; 2) there are significant direct and indirect economic costs created by degrading a jurisdiction's natural capital (e.g., if the water supply becomes contaminated); and 3) there are opportunities to participate in new markets for green products and services, and to save money through less wasteful production systems ("eco-efficiency"). In addition, there are quality of life factors that argue in favour of greener practices that, while of value on their own, also play a role in attracting and retaining skilled labour and investment.

Conversely, it is sometimes argued that jurisdictions that do not adhere to greener practices have the advantage over those that adopt the new approaches. For example, if country X requires a reduction of greenhouse gases that adds to the price of a particular product and country Y does not, country Y has the upper hand in terms of price. While this may be true in the short-term, it is imperative that decision-makers consider the long-term and hidden costs of various policy alternatives, and that businesses adapt now to a higher standard of environmental performance rather than wait and play catch-up down the road.

Managing forest and water resources, dealing with the effects of climate change, reducing greenhouse gases, maintaining agricultural land, addressing conflicting land uses, and improving urban natural capital assets are just a sample of policy areas that have ramifications on competitiveness. An even tighter linkage between "the environment" and "the economy" than is currently in place is essential to the long-term economic success of the region.

Given that it was not that long ago that it was only hippies who were talking about the connection between the economy and the environment, it is interesting to see that a majority of the experts we surveyed feel that things like greater international environmental leadership and increased environmental protection are important to western Canada's economic competitiveness. There is a very small group who feel that climate change is bunk and that government has better things to do, but the vast majority of respondents are quite comfortable

with government taking action to improve environmental performance.

Those who support action in this area can be divided into two groups based on the open-ended comments that were provided: the first group interprets the connection between the economy and the environment as, no pun intended, natural, and as an *opportunity* (i.e., green products and green energy make sense and there is money to be made providing them). The second group sees it as a necessity created by somewhat overzealous environmental policies and consumer preferences (i.e., people want green politics and clean energy, so we better give it to them). For the former, protecting natural capital and taking action on climate change are good ideas in themselves; for the latter group, the emphasis is on the argument that failing to adapt to "eco policies" will spell doom for the western Canadian economy. Of course, the same person can hold both of these positions, but it is useful to separate them because they arise out of very different concerns.

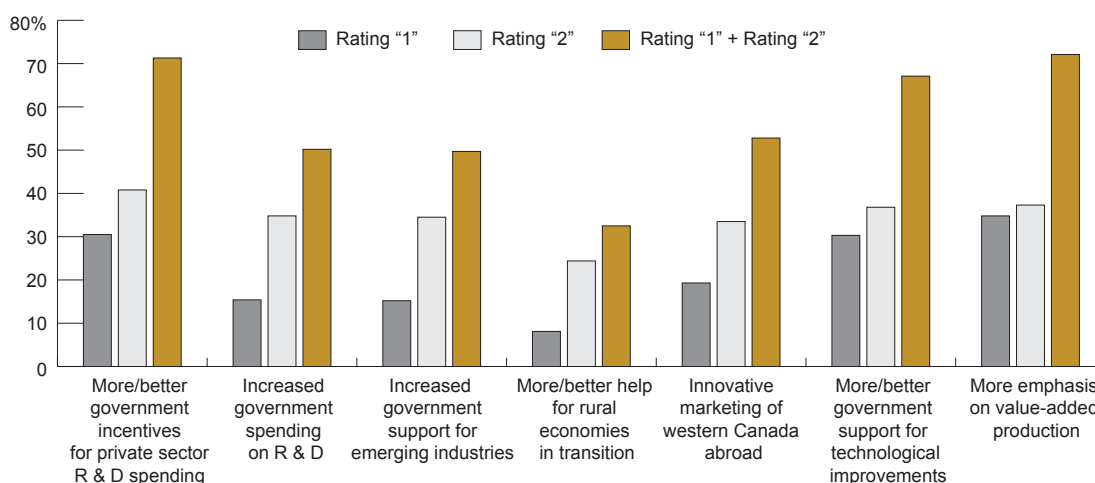
Economic Development and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada's international competitive edge, please rank the following areas of potential government action on economic development on a scale of 1 to 5 where 1 is "critically important" and 5 is "not important."

Observations: Canadian governments have been promoting economic development since the country was created in 1867. In many ways, Confederation was an economic development deal and the National Policy that the Macdonald government put in place in the early years of the country was all about economic growth. In one way or another, all of the policy options considered in the survey speak to economic development, but the seven options lumped under this heading are classic elements of economic development as it has been practiced in western Canada.

The regional preoccupation with economic diversification is reflected by the strong support for placing more emphasis on value-added production and for more/better government incentives for private sector research and development (R&D) spending. There is a clear preference for funding private sector R&D over government R&D. There is fairly strong interest in seeing more/better government support for technological

Figure 11: Economic Development and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
More/better government incentives for private sector R & D spending	30.5	40.8	16.7	5.5	1.1	4.1	1.1	436
Increased government spending on R & D	15.4	34.8	30.6	10.4	1.8	5.8	1.2	434
Increased government support for emerging industries	15.2	34.5	29.9	10.3	2.1	6.7	1.4	435
More/better help for rural economies in transition	8.1	24.4	43.3	16.1	2.8	2.8	2.5	434
Innovative marketing of western Canada abroad	19.3	33.5	24.4	13.3	5.3	3.5	0.7	430
More/better government support for technological improvements (e.g., tax incentives for introducing new technology)	30.3	36.8	21.6	3.9	1.8	4.1	1.4	435
More emphasis on value-added production	34.8	37.3	15.7	3.7	0.9	3.7	3.9	434
Other								17

improvements, but relatively soft interest in increased government support for emerging industries and innovative marketing of western Canada abroad. Despite the soft support, trade missions and campaigns along the lines of the Irish Inward Investment Agency’s promotion of “The Irish Mind” (www.idaireland.com) are not dismissed by the experts we surveyed.

The one policy option that stands out is more/better help for rural economies in transition—of which there are many in western Canada. The public debate places a great deal of emphasis on the West’s rural communities, yet helping rural communities in trouble is quite low on the list of priorities with only 8% of

respondents identifying it as critically important and only 32% ranking it either a 1 or a 2 on the importance scale.

As previously mentioned, the experts seem to be less concerned about rural economies than the public. According to the 2008 Looking West Survey, almost 8 in 10 westerners feel that governments should take steps to protect Canada’s rural economies rather than leaving them to succeed or fail without government intervention.⁸ Some of the difference may lie in

⁸ See Berdahl, Loleen. 2008. *Strategic Investments: Western Canadian Attitudes About Government and the Economy*. Canada West Foundation. http://www.cwf.ca/V2/files/LW08_3.pdf

the fact that the experts were asked to rate the importance of helping rural economies in transition in terms of how this will affect western Canada’s competitive edge whereas the public opinion survey did not make a link between helping rural areas and the region’s competitive edge. Nonetheless, the results suggest that the public is more willing to entertain rural economic development initiatives than are the experts we surveyed.

Role of Government and Competitiveness

Survey Question: Thinking about maintaining and enhancing western Canada’s international competitive edge, please rank the following areas of potential government action in terms of the role of government on a scale of 1 to 5 where 1 is “critically important” and 5 is “not important.”

Observations: As discussed earlier, the experts consider greater intergovernmental cooperation to be a no-brainer. The benefits are multiple and obvious (e.g., less duplication, more efficient use of labour and capital, lower costs, reduced transaction costs) whereas the only reasons to maintain barriers are

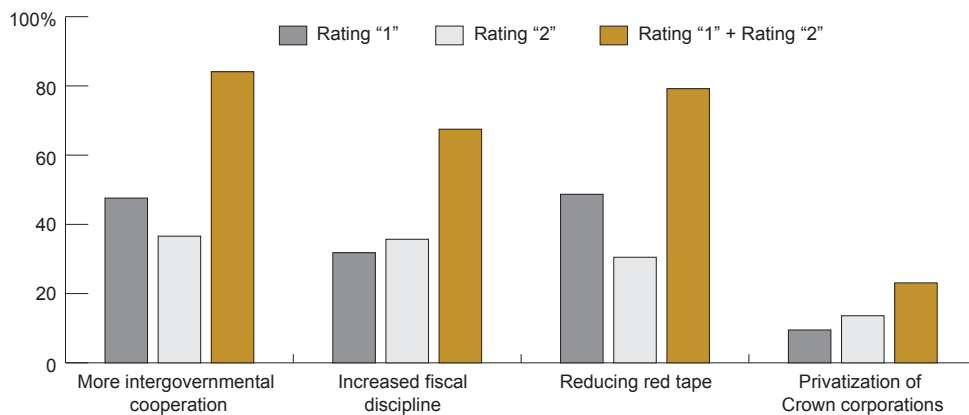
narrow vested interests, fear of open competition and local pork barreling.

As with taxes, no one *likes* onerous regulations, but most people accept that there is a role for government to serve the public good by regulating numerous economic activities. What we all want to avoid is excessive red tape that clogs the region’s economic gears. Hence, reducing red tape ranks seventh on the list of priorities with almost no respondents rating this as not important or an inappropriate area for government action.

Red ink and government spending boondoggles are clearly harmful to economic growth. Given this, it is not a surprise to see the need for fiscal discipline resonate among survey respondents. Recent spending sprees in Alberta funded by record oil and gas revenue led many Albertan respondents to comment on this issue and to highlight the need to keep spending within reasonable limits.

As noted above, dumping Crown corporations does not emerge as a high priority for the experts we surveyed.

Figure 12: Role of Government and Competitiveness



	1 Critically important	2	3	4	5 Not important	Don't take government action in this area	Don't know	Response Count
More intergovernmental cooperation	47.6	36.6	12.6	1.4	0.7	0.2	0.9	435
Increased fiscal discipline	31.8	35.7	23.5	4.8	2.3	0.5	1.4	434
Reducing red tape	48.7	30.5	14.5	3.2	1.2	0.9	0.9	433
Privatization of Crown corporations	9.5	13.6	26.6	18.5	17.8	8.8	5.3	433
Other								13

6. Concluding Comments

One of the challenges to developing an effective competitiveness strategy is that the public, experts, stakeholders, bureaucrats and politicians have very different opinions (among themselves and across these groups) about the role of government. For example, some of the experts we consulted are adamant that deregulation, tax reductions and generally smaller government are the keys to competitiveness. They strongly advise against anything that smacks of “picking winners.” Others we surveyed argue that governments must lead the way and spend much more in strategic areas like education and R&D. A third group tries to bridge these two perspectives by arguing in favour of “medium-sized” government that spends money on enhancing competitiveness, but is careful not to go too far or to unduly interfere with the private sector and market forces.

At the same time, there is a clear divide between those who feel the environment is a source of natural capital that should be valued and those who feel that environmental policies are like tying bricks to the legs of the economy. In an odd turn of events, both camps argue in favour of greener energy and products, but for very different reasons.

We are also of two minds when it comes to our natural resource base. We are not comfortable with relying on it, but we can't help but define both the present and the future of the region as a natural resource economy. Manitobans stand out here as the least preoccupied with natural resources.

All of this points to the importance of politics. There is an old adage that there is no political way to build a road, but this is often qualified by the fact that it is politics that determines where and when to build roads and who pays for them. The same is true for economic competitiveness. The decision to focus on the resource sector or the knowledge sector, the amount of emphasis to place on environmental measures, the choice between more funding for universities or tax cuts will have to be made by our elected representatives based on their best guesses about what will keep the West and Canada economically competitive. Hence the importance of expert opinion.

The results of this survey suggest that expanding trade—both internally and externally—has to be a focus of any competitiveness strategy. This is followed closely by a suite of

policy options intended to build the human capital that will drive that expanded trade and other opportunities. Investments in physical infrastructure and green initiatives are also popular among the experts we surveyed. Some of these options may seem obvious, but keep in mind that the North American Free Trade Agreement only came into force in 1994, that the BC-Alberta Trade, Investment and Labour Mobility Agreement (TILMA) came into force barely a year ago, that immigrants and Aboriginals still face barriers to full labour force engagement, and that the job of building human capital and physical infrastructure is never done. If there is something relatively new in the mix, it is the emphasis on green policy, the rising currency of cultivating creativity among students as an economic asset, and the repeated references to China and India. Remember when Japan was the only country that seemed worth talking about?

Overall, what the survey says is that we have lots to do to ensure western Canada stays competitive in the global economy and that, despite healthy suspicion about the size and role of government and recognition of the leading role of the private sector, experts identify government policy as a major force in this process. While appealing to some, the consensus among the experts we surveyed is that government should not simply get out of the way of the private sector. On the contrary, government is seen as a necessary and proactive piece of the competitiveness puzzle. ■

About the Canada West Foundation

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.

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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