

APRIL 2012

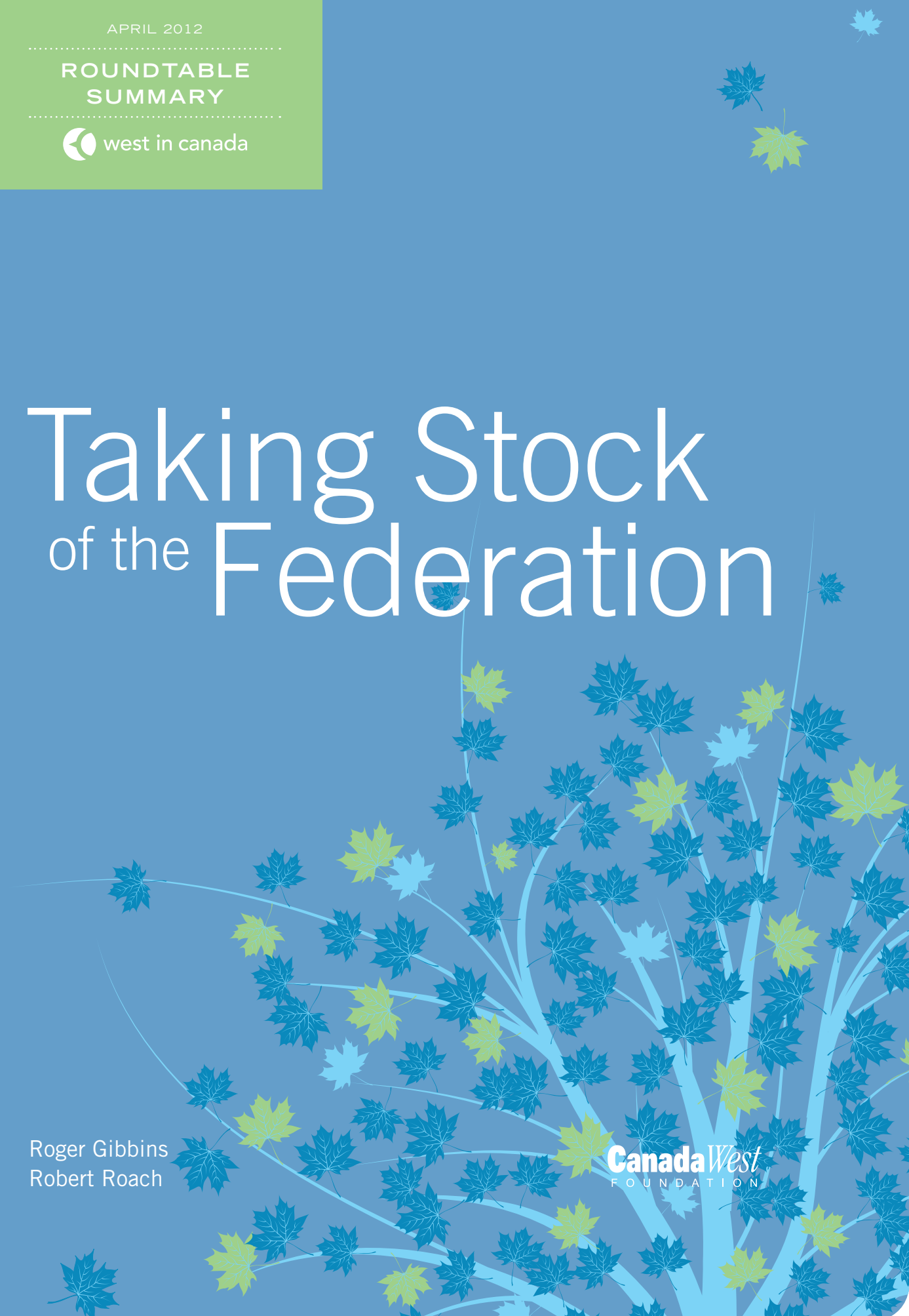
ROUNDTABLE
SUMMARY

 west in canada

Taking Stock of the Federation

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CanadaWest
FOUNDATION



The West in Canada Project is an ongoing initiative of the Canada West Foundation that examines public policy innovation in the West, discusses and recommends ways to improve the Canadian federation, and analyzes regional economic, demographic and public opinion trends. Whether it is calling for democratic reform, providing analysis using western Canadian examples and input from western Canadian stakeholders, surveying the attitudes of western Canadians or participating in national discussions, we are “on the job” arguing that strong regions make for a strong Canada.



Funding for the roundtable and for this report was provided by the Privy Council Office, Government of Canada (Privy Council Office). Although Government of Canada officials were present at the roundtable, their role was limited to that of interested observers.



The report was prepared by Canada West Foundation President and CEO Roger Gibbins and Canada West Foundation Vice President of Research Robert Roach with contributions from Canada West Foundation Senior Economist Michael Holden. The authors wish to express their sincere thanks to the roundtable participants whose input forms the basis of this report. Notwithstanding direct quotations drawn from the participants, the opinions expressed in this document are those of the authors only and are not necessarily those of the roundtable participants, the Government of Canada, or the Canada West Foundation's Board of Directors, advisors and 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. The report can be downloaded from the Canada West Foundation's website (www.cwf.ca).

ISBN 978-1-897-423-91-2

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Introduction

Taking Stock pulls together the insights of 16 roundtable participants (five observers were also present) who met in Calgary on February 9, 2012. The roundtable was supported by the Privy Council Office, and was designed to shed light on the evolving political environment across the four western provinces. The discussion was carried out according to “Chatham House rules,” and took place against the backdrop of the 2011 general election and the 2011 Census (released the day of the roundtable), the creation of new House of Commons seats for Alberta, British Columbia and Ontario, and ongoing economic news about the westward tilting of the national economy. The West, it seems, is “in” but the consequences for both the region and the country are far from clear.

Given these shifts in the nature of the federation, roundtable participants were asked to assess the contemporary political landscape, the likely direction of future change, and the potential for strains within the federation. Throughout the discussion, there was a pervasive sense of optimism about the region’s future, but optimism tempered by the recognition of very significant challenges western Canadians will face in securing a new position within Canada and within the global economy. The general tone of the roundtable discussion, therefore, was not one of celebration of how well the West is doing economically or of its growing political clout within the federation. Rather, it was one of sober reflection on the challenges that lie ahead for western Canadians, and indeed for all Canadians. There was also some apprehension about the limit of public policy in addressing these challenges, and concern that, because the bulk of the population continues to reside in central Canada, federal policies may not fully capture western Canadian realities and aspirations.

Discussions of western Canada, particularly when those discussions involve people from outside the region, too often get hung up in debates about whether “the West” really exists, or whether it is no more than a geographical artifact that lumps together four very different provincial economies and political systems. Here the roundtable discussions demonstrated once again that the West is more than the sum of its provincial parts. This does not mean that regional identities trump provincial identities, for they do not. However, regional identities do inform and contextualize provincial identities, and for that matter national identities. True, some issues are uniquely provincial in character, but others, particularly those most closely associated with the federal government, sweep across the region. Disaggregating the region into its provincial components may make sense in some instances, but not in others. There is, then, a regional resonance that should not be lost. When one of the Saskatchewan participants at the roundtable summed up the prevailing mood in her province as “we are not going back,” she was articulating a truly regional theme as western Canadians at large wrestle with securing their economic prosperity within a rapidly changing global economy.

Regional & Provincial Issues

The roundtable discussion identified a number of concerns and flashpoints, some provincial and some more regional in character. The following frequently entangled themes arose throughout the day.

Labour supply

Strong economic growth will badly strain the capacity of labour pools in western Canada, a strain that will be felt across the region and for both low-skilled and high-skilled occupations. (Labour shortages are particularly acute in Saskatchewan, where a roundtable participant noted that the anticipated shortage is expected to exceed 90,000.) Labour participation rates are already high in the West, and interprovincial labour mobility, which has been so important to the West's economic growth in the past, may be constrained in the future by an aging population, the \$25-billion contract to build 21 Canadian combat ships awarded to a Halifax shipyard, and federal policies (e.g., Employment Insurance) that currently inhibit rather than promote mobility. Discussions of labour shortages repeatedly touched on Aboriginal, education and immigration policy.

Aboriginal affairs

The discussion turned time and time again to the importance of Aboriginal peoples, communities and land to the western Canadian economy and society. Roundtable participants expressed dissatisfaction with the state of Aboriginal affairs in the West and in Canada more generally. And while there was a consensus that the need to address the challenges facing Canada's Aboriginal peoples is above all a moral imperative, many also cited the economic potential of unlocking a source of untapped labour. That Aboriginal issues played such an important part of the discussion was by no means surprising as close to 70% of the Aboriginal population lives in western Canada and Aboriginal communities are key stakeholders in resource development. Some of the specific issues concerned unsettled land and treaty claims (and their impact on resource development) and the potential contribution of a young Aboriginal population to a severely constrained regional labour pool. The need for greater investment in Aboriginal education was stressed repeatedly, often in conjunction with the need for greater accountability on the part of Aboriginal governments. The impact on west coast access for energy exports was also mentioned, but as one of many development issues.

Managing economic growth

The discussion of growth opportunities and growth pressures rippled throughout the Calgary conversation. Although there was optimism that international market demand will remain strong for the foreseeable future, although more so from Asia than from traditional Canadian export destinations, there was also a realization that connecting western Canadian supply with international demand will not be easy. Linked to this anxiety was a concern that the West is still vulnerable to the swings of a boom and bust economy. As a consequence, there was a fair bit of discussion about how to ensure *sustained* economic prosperity in the West, how to prepare for and respond to the volatility of resource markets, and how to ensure that boom and bust cycles can be handled. A big question was how to "keep the ball rolling" in the face of rapid global economic change. The conversation roamed across market access challenges, the need for market diversification, the drift of the global economy toward Asia, and a perceived disconnect between an increasingly urbanized region and the fundamentals of a natural resource-based economy. An overarching

question was how to maintain the benefits of a resource-based economy while seeking opportunities in other economic sectors. Concern was expressed that a sense of complacency can set in during resource booms that is not conducive to long-term planning or economic diversification.

Environmental management

In the words of one of the BC participants, the environmental movement provides the dominant narrative in BC; it is the lens through which issues of economic growth and management are viewed. Although environmental management also figures prominently in Alberta, environmental performance of the oil sands tends to dominate. Adverse Canadian and international reaction to oil sands development and the potential impact of that reaction on market access figured prominently in the conversation. Environmental issues were not highlighted by Manitoba or Saskatchewan participants.

Urban issues

Roundtable participants touched on a number of urban issues including infrastructure funding, an over-reliance on property taxes and challenges (and opportunities) arising from increasingly multicultural cities. Urban funding formulae were seen as 150 years old, and badly in need of reform. Here note was made of the fact that BC is increasingly split between metro Vancouver and the rest of the province. Public perceptions to the side, metro Vancouver is a “poor urban centre” with relatively low incomes. More generally, cities were seen as the centres of immigration, growth and innovation, and thus participants argued that in many ways the future of the regional economy rested in urban hands, including those hands found in resource towns.

Regional cooperation

Increased regional cooperation, as reflected in the New West Partnership (NWP), for example, was seen as a key strength going forward. At the same time, some concern was expressed about the durability of the NWP in the face of leadership changes, and particular concern was expressed about the exclusion of Manitoba whose historical role as the bridge between east and west is under threat; in the words of one participant, “Manitoba wants in – to the West!” There was also concern that the highly divisive debate over west coast pipeline access could rupture the NWP.

The debate over access to the west coast is a potential source of tension between BC and Alberta. Some roundtable participants argued that the benefits from oil pipelines to the BC coast accrue overwhelmingly to Alberta while the perceived risks accrue overwhelmingly to BC; from the BC perspective, something needs to be done to create a better balance of risks and benefits.

Health care

Although the challenge of sustainable health care was not addressed at length, it was the “elephant in the room” when the conversation turned to economic management and federal-provincial fiscal relations. The sustainability of the present health care system is, and will continue to be, a major challenge for the provinces. Spending pressures (aided by demographic change) are continually rising and that challenge is exacerbated by wide gaps in provincial funding capacity. This issue was raised not simply as a matter of whether Canadians will receive semi-comparable levels of health care across the country, but also one of potential interprovincial tensions over things like physician recruitment and retention.

Role of the Federal Government

Roundtable participants did not go out of their way to place policy challenges at the feet of the Government of Canada, or to assume that Ottawa had the solution to policy challenges facing the region. However, it was also recognized that there are many areas of federal constitutional turf, or shared constitutional turf, that have a direct impact on the West including immigration, interprovincial transportation and international trade, environmental protection, commercial policy, Aboriginal policy, and productivity/innovation. As a result, the federal government will inevitably be entangled in the policy challenges facing the region. More specifically, the roundtable participants raised a number of specific concerns:

- **Labour supply** – Many of the policy levers that can be pulled with respect to labour supply rest in the hands of the federal government – immigration, Aboriginal affairs and EI, which was frequently mentioned as a constraint on labour mobility within Canada. It was argued that there was more the federal government could do to support Provincial Nominee programs in the western provinces, encourage greater mobility with changes to the regionally-differentiated character of EI, and invest in the greater engagement of Aboriginal Canadians in the labour force. Potential caps on the Provincial Nominee program, and their negative impact on economic growth, were seen as particular concerns for Manitoba.
- **Aboriginal affairs** – Assessments of federal policies with respect to Aboriginal affairs were critical, with many roundtable participants arguing that Ottawa has mismanaged Aboriginal policy and expressing particular concern for the situation on reserves. Several suggested that the federal government has effectively “downloaded” its role and responsibilities to provincial governments who cannot handle the off-loading; here note was made of the impact on social welfare programs and criminal justice systems of marginalized Aboriginals migrating to large urban centres. Aboriginal issues are also dead centre of the Northern Gateway debate. Underlying this discussion was a call for a new and better approach to Aboriginal policy. Several proposals were made, ranging from a revisiting of the Royal Commission’s findings to the idea of curbing the power of chiefs and band councils in order to democratize reserves and improve accountability. The specific proposals raised at the roundtable, while interesting, are perhaps less important than recognizing the importance of the Aboriginal file to western Canadians. If there is an issue that resonates with particular force in all four western provinces, it is the challenge of improving the conditions and opportunities for Aboriginal people and finally addressing the policy barriers to doing so. “The Aboriginal agenda is critical” was a common refrain. It should also be noted, of course, that the necessity of federal government involvement does not let provincial governments off the hook; intergovernmental cooperation is a necessary condition for success.
- **Environmental management** – With an increase in the number of environmentally sensitive projects, the federal government has become increasingly active, albeit in collaboration with provincial governments, when it comes to environmental assessment, approval and monitoring for resource development. Federal engagement will only intensify for projects along the west coast of BC.
- **Market access** – Many roundtable participants maintained that neither access to Asian markets nor significant market diversification will be possible without policy assistance from the federal government. The potential for market diversification will also depend on bilateral and multilateral trade negotiations, and in this respect some concern was expressed about the federal government’s openness

to provincial input with regard to, for instance, abandoning supply management commitments. Yet, several participants also noted the difficulty of articulating a coherent trade strategy by way of individual provincial trade missions and suggested that the federal government should be the primary player in securing greater trade access to foreign markets.

- **Energy infrastructure** – Roundtable participants were emphatic that large-scale resource projects, such as pipeline access to the west coast, would not be possible without federal government involvement and assistance, particularly with respect to Aboriginal consent and environmental management.
- **Equalization** – Much of the Calgary conversation circled around the pending renewal of the equalization formulae and, more generally, about the challenges for fiscal federalism posed by the ongoing weakness of the Ontario economy. While provincial governments would be very active participants in discussions about how best to recast federal-provincial fiscal arrangements in light of new economic realities, final decisions in this respect rest with the federal government. Roundtable participants called for a root-and-branch rethink of fiscal transfers, and expressed some concern about how resource revenue and, in the case of Manitoba, hydroelectricity rates will be treated in the renewed program.
- **Regional representation** – Although the old grudges held by the West toward the federal government are largely things of the past, there is lingering concern that the contributions of the region to the nation are not fully appreciated outside the West and that its “in” status rests on the shifting sands of partisan politics and economic success. Western Canadians have great respect for democracy, but remain anxious that their interests as a minority in the country could still be either ignored or undermined by the rest of Canada. Recent commentary on the effects of Alberta’s oil resources on the Ontario economy (i.e. Dutch disease) are red flags that should not be ignored.

The bottom line is that the challenges facing the West cannot be addressed by provincial governments alone, or by provincial governments working in concert. Federal engagement is a necessary part of any recipe for success, and thus the need for a strong western Canadian presence in Ottawa continues. More specifically, the federal government could:

- Review national programs that affect the labour supply in western Canada with an eye to improving labour mobility, ensuring a steady supply of immigrants to the western provinces and improving education and training opportunities;
- Make significant changes to its approach to Aboriginal issues;
- Take steps to align its environmental protection efforts with those of the western provinces;
- Work abroad to open global markets and continue efforts to strengthen Canada’s relationship with the United States;
- Work with the provinces to address energy issues;
- Invest the time and effort in cultivating and nurturing cooperative relationships with the provinces including frequent federal-provincial discussion forums; and
- Ensure that federal transfers are fair and not subject to short-term political pressure.

The West in Canada

The roundtable participants recognized that regional economic growth in the West, global challenges to the manufacturing economy in central Canada, and the general westward drift of economic strength and political power all pose significant challenges for the federation. Managing uneven economic growth across the country is a difficult challenge that is only likely to get more complex.

Roundtable participants expressed concern that the West's economic prosperity will put a target in its back and that the national debate will degenerate into a discussion of wealth redistribution rather than wealth creation. Much of this discussion circled around how potential changes to federal transfers might adversely impact western Canada. As one participant noted, it is not possible to "run redistribution on the backs of 11% of the population. You can strip us bare and it won't fix the problems in Ontario and Quebec." The same participant likened Alberta to "the rich fat guy in the room on equalization. No one is going to take our concerns seriously." Linked to this were other assertions that the West is already sharing its wealth and an anxiety that the rules might be changed mid-game.

At times this conversation slid into a more general discussion of the evolving nature of the federation. It was pointed out, for example, that the old Canadian accommodation between Ontario and Quebec is a thing of the past because Quebec's demographic and economic weight has declined, Ontario has a sense of itself as a province rather than as a proxy for Canada, and there is enormous confidence in western Canada. However, there was also anxiety that the country's power structure has not changed, that recent incremental changes do not fully reflect Canada's economic and demographic transformation. It was striking, nonetheless, how little Quebec and traditional national unity issues entered the conversation; from the perspective of the roundtable participants, it is clear that the West has moved beyond the constitutional angst of past decades.

Although none of this appeared to lead to a sense of disengagement from the rest of Canada, there was a strong interest in changing the terms of engagement. In the words of one Alberta participant, Albertans feel they are still punching below their weight and "want to engage in a serious, non-divisive discussion of their role in Canada." The challenge will be to find room for that discussion as western Canadians turn more and more to regional cooperation – the New West Partnership – and to global positioning.

Conclusions

An unstated theme of the Calgary roundtable was the vital importance of regions in Canada. Regional differences have evolved, but they are still key variables in Canadian politics and the Canadian economy. For the federation to work, and work well, there is still a lot of work to do (and there always will be) to make sure that all the regions are heard, understood and woven into the whole. Playing one region off of another, as happens in discussions of the Dutch disease when one region's prosperity is depicted as another region's misfortune, may lead to short-term political gain, but it can fray the fabric of the federation in ways that will, in the long run, hurt everyone.

In these respects, the tone of the roundtable discussion was reasonably optimistic. One of the Alberta participants noted that given how "profound" regional differences frequently are, we are actually doing "not that bad." He and others acknowledged that having so many different interests and perspectives around the national table can lead to deadlock, infighting, watered down decisions, policy pitched to the lowest common denominator and unfairness, but we can make it work if we try hard enough. It takes effort, good institutions, good leaders and likely a bit of luck, but it can be done. The "it" is a federation that works for *all* of its parts.

Although participants were well aware of the unavoidable fragility of a resource-based economy exposed to volatile international markets, and realized from past experience that "what goes up must come down," there was also a strong belief that the changes we are seeing in the Canadian economy are likely to be structural and enduring. A dip in the price of oil, for example, is unlikely to restore the manufacturing sector to the glory days of the 1960s; the world has moved on. The overarching challenge for Canadians, therefore, is to figure out how the federation can adjust to new economic and political realities in which the centre has shifted west.

Given the need for adjustments, the roundtable participants expressed concern that western Canadians in general, and Albertans in particular, may be too complacent given their region's current prosperity, although Saskatchewan was described as Alberta's antithesis when it comes to complacency. The participants themselves, however, were far from complacent. Although they saw a future ripe with promise, they also saw daunting problems with market access and declining American resource markets, sustainable environmental management, labour shortages, a fiscally unbalanced federal state, and a young Aboriginal population without the skills and education needed to succeed in an increasingly competitive economy. Yes, the future looks bright, but only if such problems can be addressed.

Appendix

ROUNDTABLE PARTICIPANTS

Participants

Herman Bakvis

Loleen Berdahl

Jim Carr

Jim Eldridge

Jock Finlayson

Roger Gibbins (co-moderator)

Gordon Gibson

Peter Holle

Janice MacKinnon

Anne McLellan

Peter Meekison

Al O'Brien

Robert Roach (co-moderator)

Victor Thomas

Susan Thompson

John Courtney

Bruce Tait

Canada West Foundation Observer

Michael Holden

PCO Observers

Alfred LeBlanc

Mario Lapointe

Susan MacMillan

Jeremy Clarke

A Western Voice on National Policy Issues

In 1971, the Canada West Foundation was established to give the people of the West—British Columbia, Alberta, Saskatchewan and Manitoba—a voice for their dreams, interests and concerns. In doing so, the goal was to put the West on the national agenda and be at the forefront of the most important issues and debates.

Since then, the Canada West Foundation has successfully met that goal, proving itself to be one of Canada's premier research institutes. The Canada West Foundation is the only think tank dedicated to being the objective, nonpartisan voice for issues of vital concern to western Canadians.

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Today the West is in, but we won't stop there. We continue to promote important issues and debates that provide made-in-the-West solutions to national problems and keep the West thriving.

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