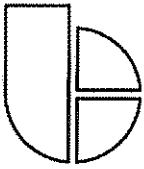


**Submission to  
Vancouver City Council  
Standing Committee  
on Planning and  
Environment**

**July 13, 2006  
Vancouver, BC**





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**Introduction**

The Business Council of British Columbia is pleased to provide comments on the City of Vancouver's recently published *Guiding Principles: Economic Development in the City of Vancouver*. By way of background, the Business Council, established in 1966, is an association representing more than 200 large and medium-sized enterprises engaged in business in British Columbia. Our members are drawn from all major sectors of the provincial economy, including forest products, mining, manufacturing, transportation, agri-food, telecommunications, information technology, financial services, energy and pipelines, tourism, retail, construction, healthcare, education and the professions. Taken together, the corporate members and the associations affiliated with the Business Council are responsible for one-quarter of all jobs in British Columbia. A large majority of the Business Council's members have a presence in the Greater Vancouver region.

Greater Vancouver accounts for more than half of British Columbia's population and GDP and is the home base for more than two-thirds of the 200 biggest enterprises in the province. The region is also where most of the infrastructure and logistics activity tied to the province's expanding Gateway role is found. It is widely recognized by all levels of government and by the business community that efficient and productive commercial transportation linkages to the Asia Pacific region are vital to the long-term prosperity of the region, the province, and indeed Western Canada as a whole.

Although the Business Council has a province-wide mandate, we have a longstanding interest in the state of the Vancouver region. The Council was a founding partner in the GVRD's Sustainable Regional Initiative. In this capacity, we helped to focus attention on the fact that on certain key indicators, notably household and employment incomes, Greater Vancouver has not performed as well as many other major Canadian city-regions. We have also been a strong

advocate for a more effective and coordinated approach to regional economic development as a way to expand Greater Vancouver's export base, foster the development of high-paying jobs, and build a more resilient economy. The Business Council also participated in the Steering Committee that led to the development of the nascent Greater Vancouver Economic Council [GVEC]. Although still in the development stage, GVEC's principal objective is "[t]o stimulate investment and new employment in...Greater Vancouver...by creating a clear vision and economic strategy for the Region, within a sustainable context."

### **Comments on the "Guiding Principles" Document**

As a general comment, the Business Council endorses the guiding principles outlined in the July 2006 document produced by the City. These principles provide a valuable context for policy and action and should be seen as a precursor to a more fully articulated economic strategy. Given our past support for regional economic development, we welcome the fact that the City supports regional collaboration and intends to play a leadership role in this area. Effective and well-managed regional development will require the support of all municipalities, especially the larger ones, in the Vancouver area.

Having done a fair amount of research on regional economic development, the Business Council has been surprised to learn that Greater Vancouver stands out as one of the few large metropolitan areas in North America that lacks any kind of regional approach to economic development and that has no region-wide initiatives to market the region or assist in attracting outside companies and investors to locate here. This represents a marked shortcoming in today's competitive and fast-changing global economy. We submit that a world-class region such as Greater Vancouver would benefit from a regional economic development strategy that is supported by the private sector, local municipalities, and senior levels of government. The guiding principles which the City has outlined identify many of the key elements of a strategy to build a prosperous and competitive Vancouver economy, including the importance of greater regional collaboration.

In what follows, we offer some initial comments on several of the guiding principles discussed in the July 2006 City document.

### *Competitive Business Climate*

One of the guiding principles is that Vancouver will “establish a competitive business climate that puts the city ahead of competitor jurisdictions.”

The Business Council sees this as a core objective that should inform a wide range of policies and decisions by the City. It is important because Vancouver, and the GVRD more generally, is in competition with city-regions across Canada and the United States to attract and retain investment, talented entrepreneurs, skilled workers, research and development facilities, corporate head offices, and many other kinds of high value economic activity. Numerous scholars and analysts argue that the policy and business environments of nations and provinces/states are becoming relatively less important, while those at the regional/local level are playing a more influential role in shaping the patterns of economic growth, investment, entrepreneurship, and innovation in the contemporary global economy.<sup>1</sup> This underscores the need to pay close attention to the competitiveness of regions, and to the impact of public policies on industry structure, business location and investment decisions, infrastructure management and provision, and the overall quality of life.

At the federal level, recent years have seen a growing recognition that cities in Canada are increasingly challenged because they have a limited tax base from which to generate revenues to pay for locally provided services. The Business Council supports efforts to revisit the division of revenue-raising authority and service provision among different levels of government in Canada.

The Business Council agrees with all of the specific items listed under the broad principle of creating a competitive business climate in the City. We are pleased to see the City elevate the importance of economic development by explicitly “value[ing] economic development as a key [C]ity priority that contributes to Vancouver’s sustainability, quality of life and financial well-being.” Significantly, the City will work to remain competitive on many of the elements that guide business location decisions (as well as decisions to say in a given location). In our experience, factors such as municipal costs, certainty relating to development policies and

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<sup>1</sup> A leading Canadian exponent of this view is Thomas Courchene, *A State of Minds: Toward a Human Capital Future for Canadians* (Institute for Research on Public Policy, 2001).

regulations, and streamlined permitting process are often top of mind considerations for business decision-makers considering the establishment of a new or the expansion of an existing operation.

### *World Class Industry Clusters*

The Business Council supports the City's stated intention to "identify, grow and build world-class export oriented industry clusters that contribute to a diverse and resilient economy."

Industry clusters have become central to economic development strategy. One reason why large cities are becoming increasingly powerful economic drivers is the clear tendency for many kinds of high-value business activity – notably in advanced-technology industries and knowledge-based business services – to "cluster" in particular locales. Indeed, despite "globalization," there is much evidence that the characteristics of local economic environments matter to firm behaviour, employment growth, and the extent and nature of innovation.<sup>2</sup>

The concept of the "export base" is also critical. A large body of research indicates that industry clusters which engage in trade outside the local market (whether defined as a region or province) are critical to productivity growth, firm-level upgrading, gains in real wages, and innovation – processes that, taken together, largely determine the rate of economic progress.<sup>3</sup> Traded industry clusters provide opportunities for economic growth that surpass those in the local economy. The presence of traded industry clusters in a jurisdiction has spill-over effects that benefit the wider economy. Importantly, traded clusters are not limited to "high tech" industries, but rather encompass a wide range of industries whose common characteristic is a propensity to do business beyond local borders.

In previous work, the Business Council has documented BC's relatively weak performance on both export growth and the development of a more diversified export mix.<sup>4</sup> We would draw attention to the fact that the GVRD has a comparatively small "export base," especially in the

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<sup>2</sup> Ontario Institute for Competitiveness & Prosperity, *A View of Ontario: Ontario's Clusters of Innovation* (April 2002), esp. pp. 18-34.

<sup>3</sup> See, for example, Michael Porter, *The Competitive Advantage of Nations* (New York: The Free Press, 1998); S. Rao et al., "The Importance of Innovation for Productivity," *International Productivity Monitor*, No. 2 (Spring 2001); Institute for Competitiveness and Productivity, *A View of Ontario: Ontario's Clusters of Innovation* (April 2002).

<sup>4</sup> Three-quarters of British Columbia's international merchandise exports consist of resource-based products, a proportion that is little changed from a decade ago.

area of goods production. Most other major Canadian census metropolitan areas (CMAs) have significant resident goods-producing industries that are heavily focused on exporting and provide a source of externally derived income, a platform for high paying jobs, and substantial indirect benefits for local companies that sell services to the base export sector. In Calgary the energy sector plays this role; in the Greater Toronto Area it is the overall manufacturing sector (e.g., automobiles, parts, and machinery and equipment); while in metropolitan Montreal the aerospace and pharmaceutical industries are at the heart of the region's robust and growing goods-sector export base. Within the GVRD (let alone Vancouver), it is difficult to identify a comparably large and growing goods-producing export cluster.

The Business Council supports the action items which the City has suggested to help build world class industry clusters, particularly the commitments to “grow and maintain head offices” and to “place priority on supporting the growth of ‘economic drivers’ – firms that produce goods and services for export and bring new wealth into the community...”

In order to nurture the growth of clusters, we also agree that it is imperative that Vancouver (and other GVRD municipalities) take steps “to preserve an adequate supply of industrial and commercial zoning to maintain and attract highly skilled, creative, and well-paid jobs...” Ultimately, this is among the most important actions required to sustain a prosperous economy in the region, given that population growth and escalating housing costs will continue to put pressure on the already limited supply of commercial and industrial space.

### ***Strategic Infrastructure Investment***

High quality physical infrastructure is a key feature of successful regional economies across the world. For a region like Greater Vancouver which also happens to be a major trade gateway, an excellent commercial transportation system is critical to ensuring connectivity to outside markets and the smooth two-way flow of goods, services, people, and information. Modern telecommunications and wireless infrastructure is also necessary as our economy and society become increasingly knowledge-intensive economy. The state of the energy infrastructure is an issue that influences energy reliability and costs and thus also bears on regional competitiveness.

The Business Council agrees with all of the specific action items listed under the guiding principle of infrastructure investment.

### ***Regional Leadership and Collaboration***

We are pleased that the document lists as one of the guiding principles a commitment by the City of Vancouver to provide leadership for regional economic development. The Business Council applauds the explicit recognition that the “[C]ity’s economic success relies heavily on regional assets,” as well as the promise that Vancouver will advocate for “the development and endorsement of a regional economic development plan by all three levels of government and the private sector.”

As noted previously, the Business Council has argued strongly in favour of a regional approach to economic development. Administratively, the Greater Vancouver Regional District is a partnership of 21 municipalities and one electoral area that work cooperatively to deliver a variety of local services. Yet while Greater Vancouver is divided into a host of discrete jurisdictions, from an economic viewpoint one can argue that it constitutes a single, diversified, and highly interdependent regional economy in which boundaries play a much less prominent role. People, goods, services, capital, and information all move freely within the region. For example, many employers operating in the GVRD attract their work force from different municipalities and purchase inputs from suppliers scattered throughout the region. By the same token, most firms in the GVRD sell their goods or services to customers in more than a single local community. Individuals living in one municipality may shop or attend college/university in another. And residents of suburban communities often travel to the city core for entertainment or to access specialized health or business services.

Greater Vancouver is also bound together by shared “infrastructures” that form an essential part of the entire region’s economic base and quality of life. These include transportation systems and facilities, educational institutions (universities and colleges), research centres, parks and other “green space,” venues for arts and culture, and a number of health care institutions.

As a final point underscoring the value of greater region-wide economic collaboration, we submit that only a regional approach is consistent with a strategy to grow globally competitive industry clusters. This is because the elements that make up industry clusters cross municipal boundaries. Factors such as infrastructure, the availability of specialized education and training, labour supply, and the quality of life are not confined to a single municipality within the region.

More fundamentally, companies within leading industry clusters are usually located in more than one municipality. For example, the port, trucking, marine, railway, warehousing, bus and sightseeing companies that comprise the core of Greater Vancouver's transportation and logistics cluster are scattered around the lower mainland. And the same is true of many of the industry clusters identified on the Vancouver Economic Development Commission's website. The firms and supporting institutions that comprise the highly successful film and television cluster, for example, are located in several communities within the region. Large studios and special effects facilities are located in Burnaby and North Vancouver. Support services for the film/television industry are found throughout the region, and the relevant educational and training institutions are in Vancouver, Burnaby, and North Vancouver.

Similarly in the wireless cluster, leading companies are in Burnaby (Glentel, Norstat) and Richmond (MacDonald Dettwiler and Associates Ltd. and Sierra Wireless), as well as Vancouver. In the case of the biotechnology and life sciences cluster, there is a significant concentration of firms and the supporting health sciences organizations in City of Vancouver. However, UBC, which is the centre of research for biotechnology and the source of most spin-off companies, is not within the City's boundaries. Moreover, the quality of life that is so important in attracting globally mobile talent in this sector is regional in nature.

### **Conclusion**

The Business Council supports the City's plan to elevate the status of economic development and work toward fashioning a more comprehensive approach to economic development. The principles and commitments outlined in the July 2006 Guiding Principles document are sound. We hope they will inform and shape the City's future work on an economic development strategy and influence policies in a variety of fields that touch on the City's business climate.

Vancouver and Greater Vancouver more generally face a number of interrelated economic, environmental and social challenges that will affect the future quality of life and prosperity of the region. Recognizing these interrelationships is essential to promoting sensible economic development. Without an economy that attracts high value business investment, encourages innovation, and generates good-paying jobs, it will be impossible to sustain a high quality of life for GVRD residents. Regional approaches to economic development, investment attraction and promotion, and sustainability have been adopted in many other North American city-regions, but have been slower to emerge in Greater Vancouver. While the GVRD in its current form addresses aspects of regional sustainability, such as transportation, air quality, waste management, and regional parks, in no sense can the GVRD be said to have a mandate to deal with economic development, investment attraction, competitiveness or many other issues of importance to the business community.

There is a danger that today's good economic times will induce a sense of complacency among policy-makers and business/community leaders. That would be unwise. The Business Council believes the time is right to begin developing a more comprehensive regional economic strategy, both to help grow the region's economic base, but also to assist in creating a resilient economy that is better positioned to weather the next (inevitable) downturn. A regional strategy is also needed in order to fully leverage the exposure which the 2010 Winter Olympic and Paralympic Games will bring and to take advantage of the business opportunities that are emerging thanks to rapid economic growth in the Asia Pacific – the world's most dynamic region.

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