
Metro Vancouver Commerce Economic Impact of the Metro Vancouver Commerce 2010 Business Program – Executive Summary

3 February, 2011



Executive Summary

Introduction

The Vancouver 2010 Olympic and Paralympic Winter Games (“2010 Winter Games” or “Games”) provided the municipalities of Metro Vancouver with an opportunity to leverage the media created awareness of the region to promote trade and investment.¹ Metro Vancouver Commerce (MVC), a collaborative effort of municipal economic development agencies, was created in June 2007 with the purpose of maximizing economic development in the Metro Vancouver region.² The Games provided an opportunity for that collaboration to achieve tangible long-term social-economic benefits.

As a result, MVC developed a foreign direct investment (FDI) program for the Games to showcase Metro Vancouver in the context of British Columbia and Canada, with a particular focus on Canada’s western provinces. In addition, the MVC 2010 Business Program (the “program”) was designed to attract talent, increase international trade and strategic alliances, and to enhance the region’s global reputation as a business destination. In addition to attracting new investment, the program was also focused on enhancing existing local and international relationships with the intent of leveraging and accelerating business opportunities.

Program funding was provided by the Government of Canada through Western Economic Diversification Canada (WD) and each of the MVC partner municipalities. WD’s mandate is to promote the development and diversification of Western Canada’s economy and advance the interests of the four western provinces in national economic policy, program and project development and implementation.³ In addition, MVC was able to leverage cash and in-kind contributions from its local host partners and the government of British Columbia.

Expected outcomes of the program included:

- New foreign investment, supply chain migration, the creation of employment, sector investment; and strategic alliances (knowledge and technology transfer) between foreign and local businesses, with particular emphasis on green and creative sectors
- International exposure for Metro Vancouver and British Columbia as a globally compelling location for business and investment, as well as a destination for skilled talent
- Creation of a platform framework, and intelligence on international markets, for future regional efforts in FDI attraction and other economic development activities
- Strengthened relationships within the region among local economic development agencies, and between these agencies and other public and private sector partners in economic development

The measurable goal of the program was to attract \$50 million in foreign direct investment to Metro Vancouver by December 31, 2011.

New investment in capital and operating expenditures generated by MVC’s program contributes to Metro Vancouver’s regional economy through GDP growth and job creation. The diversified nature of Metro Vancouver’s economy suggests that the direct, indirect and induced impacts of project spending, whether capital, operational or household spending, will be spread throughout the region. Program investments made in any one municipality subsequently result in ripple effects occurring throughout the region.

About the study

The results of a longer study are provided in this executive summary. The purpose of the study was to provide an assessment of the short-term impact of the MVC program after the 2010 Winter Games. The assessment includes an economic impact analysis of the known investments completed or near completion to January 2011. In addition, an overall assessment of the program is provided, based on interviews with MVC partners, and

¹ Metro Vancouver region is defined as the federation of twenty-two member municipalities and one electoral district defined under provincial legislation as a regional district.

² The MVC partner communities include: Surrey, Richmond, Vancouver, City of North Vancouver, District of North Vancouver, New Westminster, Port Moody, Maple Ridge and Coquitlam.

³ Western Economic Diversification Canada, definition downloaded January 27, 2011, www.wd.gc.ca/eng/36.asp#B

follow-up surveys with local host companies and international guests. Interviews and surveys were conducted immediately after the Games as well as through September and October 2010.

Relationship to other 2010 Winter Games Business Programs

During the 2010 Winter Games period, the federal and provincial governments and private sector organizations conducted complementary trade and investment programs. Private sector programs included hosting and showcasing opportunities to international guests by industry associations, economic development agencies and other interest groups.

Because of the synergy among the government hosting programs, each program was enriched by other events guests could attend. For example, international business executives from the MVC program participated at the Department of Foreign Affairs and International Trade's February 13 business breakfast. A number of federal and MVC participants were able to attend business networking events hosted by the provincial government, such as BC's 2010 Business Forum and the BC Climate Action and Clean Energy Reception.

Profile of MVC 2010 Business Program Participants

The MVC host team consisted of three components: 1) MVC partners and Vancouver Economic Development Commission (VEDC) staff members who acted as the primary hosts for the international guests, 2) a logistics team of contractors who provided logistics support, and 3) local host companies, officials and elected representatives from government, and representatives from various industry associations and other organizations.

Using a rigorous screening process to identify international company targets, MVC invited 100 international executives to participate in the program. These senior level executives participated in five waves over the course of the 2010 Games, representing 64 international companies. The five waves of guests were defined by the following six industry sectors:

- A. Green Enterprise (Clean Technology, Green Building Products, Renewable Energy)
- B. Digital Media (New Media, Animation, Visual Effects, Gaming, Wireless)
- C. Financial and Business Services
- D. Aerospace
- E. Biotechnology / Life Sciences
- F. Ag-biotech / Agri-Food

MVC 2010 Business Program Outcomes

During the program, 60 events, meetings and information sessions were organized and hosted by MVC and its local host partners, with 244 guests taking part in the events, including local host companies and international executives. As of March 2010, 6 deals had been signed between BC companies and their international counterparts. From April 1, 2010 to January 17, 2011 an additional 10 investment deals have been completed, or are near completion, for an approximate deal value of \$168.8 million. Of this, \$146.4 million is for one-time expenditures and special projects. The balance of \$22.4 million is the estimated first year of operating expenditures of companies establishing offices in the region which are expected to continue and grow in future years.

Table 1.1 Analysis of the outcomes of the MVC 2010 Business Program as of January 2011

Outcome Description	Expected Outcome (as of Dec 2011)	Actual Outcome (as of Jan. 2011)
Number of Metro Vancouver companies & organizations introduced to international markets/opportunities	100	147
Number of deals (MOU's, LOI's and/or contracts) signed between BC companies and their international counterparts	20	16
New foreign investment secured or in the pipeline	\$50 million	\$168.8 million

MVC's program has also generated a number of leads for future business and investment opportunities in addition to the deals already signed. The value of these opportunities has not been quantified in this study. The initial investment of \$168.8 million is considered to be conservative as it only includes the first year of annual operating expenditures. It is also important to note that the investment and trade outcomes identified to date are the beginning or continuation of a long-term process and could be subject to events outside the control of MVC.

Response to the MVC 2010 Business Program from Local Hosts and International Guests

Local hosts and international guests were surveyed immediately after the program. Although the response rate for the local host survey was lower than for international guests, the feedback from both the local hosts and international guests was overwhelmingly positive which in part reflects the success of the 2010 Winter Games as an event.

Local host companies

The primary objective for participating in the business program for the majority of local host companies was to further develop partnering opportunities and to build relationships (both with potential investors and clients as well as with the local business community). All local host companies responding to the survey found the experience useful with 31% percent indicating it was very useful. The vast majority (85%) would be interested in participating in a similar program in the future.

International guests

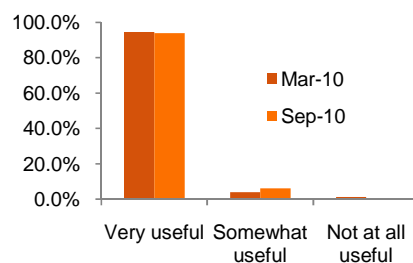
International guests were surveyed immediately after their visit to Metro Vancouver in March 2010, as well as in September 2010. (The March 2010 survey was conducted by VEDC.) Overall, responses to questions pertaining to their experience with the program, and their visit the Metro Vancouver, were similar in both surveys although the impact of the "Games effect" on program experience had decreased slightly in the later survey.

International guests were asked what they considered were the most valuable aspects of the program. Their responses largely fell into two general areas:

- The opportunity to gain insight about, and network with, Metro Vancouver and BC businesses
- The opportunity to meet and network with other international guest companies

Survey participants provided anecdotal evidence of deals achieved and leads generated other than those reported by MVC. However, at this time these deals are difficult to confirm and quantify. Survey responses also indicate that some deals have already been completed while others are likely to be completed within the year. International guests also reported activity with regard to further business development and follow up activity. Overall perceptions are illustrated in Figure 1.1 below.

Figure 1.1 International guests – Overall Visit Perceptions



MVC Partner Perceptions

Representatives of the MVC partner municipalities were interviewed regarding their experiences during the pre-games, games-time, and post-games program implementation. The consensus of the MVC partners was that the investment and commitment made resulted in the successful execution of the program. They also attributed program success to the strong program leadership and collaboration with local host companies. Many MVC partners indicated that benefits are already being realized with an expectation that program impacts will be evident for some time to come.

Economic Impact of the MVC 2010 Business Program up to January 2011

In this report, input-output accounts were used to estimate how investments made through the MVC 2010 Business Program up to January 2011 will impact the regional economy. The input-output model approach was selected because of its widespread use to measure economic benefits, and because it facilitates comparisons with economic impact studies of other industries and investments. The most commonly used of these measures are output (expenditures), Gross Domestic Product (GDP), government tax revenues, and employment. Each of these quantities is described below.

- **Output** – the sum of all expenditures that result from a project or projects.
- **Gross Domestic Product (GDP)** – the “value added” to the economy by a project or projects. The GDP figure captures the difference between the value of output and the value of intermediate inputs, and therefore represents the unduplicated total value of economic activity that has taken place.
- **Government Tax Revenues** – the total estimated amount of tax revenues generated from personal income taxes, indirect taxes less subsidies, (e.g. sales tax) and corporate income taxes.
- **Employment** – the number of jobs created measured in of annual full-time equivalents (FTEs).

Economic impacts may be estimated at the direct, indirect, and induced levels. Direct impacts are changes that occur in “front-end” businesses that would initially receive expenditures and operating revenue as a direct consequence of the operations. Indirect impacts arise from changes in activity for suppliers of the “front-end” businesses. Induced impacts arise from shifts in spending on goods and services as a consequence of changes to the payroll of the directly and indirectly affected businesses.

The results of the economic impact analysis are summarized in Table 1.2 below.

Table 1.2 Summary of the economic impact of the MVC 2010 Business Program deals up to January 17, 2011

Impact	Direct (\$'000s)	Indirect (\$'000s)	Induced (\$'000s)	Total (\$'000s)
Output	168,838	98,131	39,199	306,168
GDP	92,284	41,907	21,997	156,188
Taxes	13,382	5,529	6,485	25,396
<i>Federal</i>	<i>7,549</i>	<i>3,062</i>	<i>3,155</i>	13,766
<i>Provincial</i>	<i>5,833</i>	<i>2,467</i>	<i>3,330</i>	11,630
Impact	Direct (FTE)	Indirect (FTE)	Induced (FTE)	Total (FTE)
Employment	1,542	684	332	2,558

The estimated economic impacts of the MVC 2010 Business Program’s \$168.8 million investment deals are estimated to be \$306.2 million in total output and \$156.2 million in GDP. Approximately \$13.8 million in federal and \$11.6 million in provincial taxes are generated through the investment. An estimated 2,558 jobs will

be created and consists of the direct employment of 1,542 jobs, indirect employment of 684 jobs and induced employment of 332 jobs.

The total \$168.8 million investment includes \$146.4 million in one-time expenditures and special, non-recurring projects such as films. The balance, \$22.4 million, is made up of recurring expenditures such as salaries, rents, and office expenses which are expected to provide continuing economic benefits into the future.

Economic Benefits

In contrast to economic impacts, economic benefits may be broader in scope, and may include both quantitative and qualitative measures. The following are a few of the economic benefits expected as a result of the MVC 2010 Business Program.

Enhancing the Green Enterprise Sector

The MVC program provided the platform for the local green enterprise sector to communicate with their international colleagues about opportunities for joint technology development and partnerships in research and development. As a result, a number of business partnerships have been created between Metro Vancouver companies and international companies participating in the program.

Growing the Digital Media Sector

The MVC program was a catalyst for further strengthening Metro Vancouver's digital media sector. A number of well-known international digital media companies participated in the program, of which several have now established an office or invested in Metro Vancouver. Additional companies are expected to set up a presence in the near future. Because of this investment, Metro Vancouver's concentration of senior international executives in the digital media sector has increased.

Attracting and Retaining a Qualified Workforce

Because of the 2010 Winter Games, Metro Vancouver has been able to raise its profile across a broad spectrum of international business leaders. Most important, for the development of building the green enterprise and digital media sectors, has been the opportunity to expose Metro Vancouver to highly skilled individuals who may consider Metro Vancouver as a desirable place to work and live. Existing and new companies in these sectors may then be in a stronger position to attract and retain individuals who are presently in short supply.

Increased Opportunities for Business Development

As a result of the program, MVC has been able to develop a network of international and local company contacts. This business network is now being leveraged by several MVC municipalities to create and execute international business missions.

Lessons Learned

Regional Collaboration – The success of MVC's business program demonstrates that the regional approach to economic development can and has worked in Metro Vancouver. MVC municipalities were able to successfully work together as a cohesive group to attract foreign direct investment to the region and collaborate with all levels of government, academic institutions, industry associations, and local businesses.

Effective Screening Process for International Guests – Designing an effective process to ensure companies had a genuine interest in investing in Metro Vancouver was key to reaching program objectives. The screening process also ensured that only senior level executives, the "key decision makers," participated in the program.

Uniform Messaging – Preparation made by the MVC partners to deliver a consistent, uniform message about the benefits of doing business and investing in Metro Vancouver impressed international guests. Also noted with appreciation were the insights on regional opportunities which MVC partners shared.

Structured Networking – Feedback from guests suggested that using a structured approach to networking would enhance the effectiveness of the program. Under this approach, participants would be guided by an MVC “facilitator” who would provide information, introduce guest companies, and act as an enabler in the achievement of their objectives.

Conclusions and Recommendations

Overall, the outcomes so far generated by the program indicate the approach used to plan and deliver the program was successful. Although the benefits of the program appear to be clustered around the green enterprise and digital media space, there are promising signs in the other four industry sectors – financial and business services, aerospace, biotechnology/life sciences and ag-biotech/agri-food – including one contract in the aerospace sector.

Recommendations for future activities as a result of the MVC 2010 Business Program:

- Ensure the successful transition of the program to the economic development offices of each MVC partner municipality by retaining a contact person to transition outstanding program activities to the relevant municipality.
- Based on both local host and international guest suggestions, the opportunities for improvement for future investment attraction programs can be summarized as follows: 1) Provide a more structured framework for networking; ensure introductions are made between local host companies and international guests in similar or complementary industry lines, and 2) Provide both local hosts and international guests with greater detail about all participants
- Leverage the success of the regional economic development initiative into ongoing support for a stronger regional approach to economic development among Metro Vancouver’s municipalities.
- Continue to leverage the 2010 Winter Olympic Games as a way to further develop international business relationships. Certain businesses in Metro Vancouver benefited from being suppliers to the Games and similar opportunities likely exist for London 2012, Sochi 2014 and beyond.
- Pursue opportunities to partner with the federal and provincial governments as they build on the heightened Canada brand awareness emanating from the 2010 Olympic Winter Games.
- Continue to develop relationships with local companies to understand their interests and strategic pursuits. Use the success of the program to strengthen existing retention and expansion programs to create opportunities to facilitate deals between local and international companies.
- Build on the business-to-business platform to increase foreign direct investment. Use the framework and screening methodology developed during the investment program to plan future business development missions, whether inbound or outbound, focusing on local company needs and objectives.

Conclusion

The MVC business program was highly regarded by participants and has surpassed its initial investment objective. Over the next several months, as local host companies, international guests, and MVC partners continue to build upon the relationships they established during the program, further evidence of economic benefits for the Metro Vancouver region will likely materialize.

Restrictions and limitations

PwC has relied upon the completeness, accuracy and fair presentation of all information, data, advice, opinions or representations obtained from public sources and the Client (collectively, the “Information”). The findings in the Report are conditional upon such completeness, accuracy and fair presentation of the Information. PwC has not verified independently the completeness, accuracy and fair presentation of the Information. We are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us.

PwC reserves the right at its discretion to withdraw or make revisions to the Report should PwC be made aware of facts existing at the date of the report that were not known to PwC when it prepared the Report. The conclusions and recommendations are given as of the date hereof and PwC is under no obligation to advise any person of any change or matter brought to its attention after such date, which would affect the findings and conclusions and PwC reserves the right to change or withdraw the Report.

PwC understand this report will be provided to MVC directors, their respective municipal councils and may be made available on municipal websites. We do not accept responsibility for any losses arising from unauthorized or improper use of this Report.

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