

Vancouver Economic Development Commission
Economic Development Strategy Workshop #2
June 23, 2009, 7:45am – 11:00 am.
Vancouver Museum, Vancouver, BC

Attendees:

Councillor Geoff Meggs, (City of Vancouver), Robin Adair (City of Vancouver), Michael Bidu (Wireless Innovation Network of BC), Brian Bonney (Canadian Federation of Independent Businesses), Matthew Carter (Great Northern Way Campus), Jim Clark (Canadian College of English), Jane Cox, Steven Cox (Cause + Affect), Tom Davis (Financial CAD Corporation), Ed Desroches (Plum Clothing), Jeremy Dunn (Laura Ballance Media), Malcolm Earle (Colliers International), Karimah Es Sabar (Life Sciences BC), Pierre Gratton (Mining Association of BC), Tony Gugliotta (YVR International Airport), John Halani (Ethno-Business Council of BC), Peter Hall (Simon Fraser University), Alexandra Ho (Asia-Pacific Foundation of Canada), Howard Harowitz (Knightsbridge), Ronda Howard (City of Vancouver), Bob Harper (Yellowhead Mining), Michael Heeney (Bing Thom Architects), Patrice Impey (City of Vancouver), Lea Johnson (Rain City Housing), Karim Kassam (Ballard Power), Maureen Kirkbride (Telus), Bob Laurie (RDD Enterprises), Peter Leitch (Motion Picture Production Industry Association of BC), Donna Le Clair (BC Hydro), Ted Lee (Tourism Vancouver), Rob Malli (Vancity), James Maynard (Wavefront Accelerated Commercialization), Ronald Mon-Kau (DVBIA), Linda Oglov (City of Vancouver), Cybele Negris (Webnames.ca), Rich Newirth (City of Vancouver), Ken Peacock (Business Council of BC), Cindy Pearson (BC Technology Industry Association), Rebecca Peters (Laura Ballance Media), Tim Pringle (Real Estate Foundation of BC), Brenda Prosken (City of Vancouver), Daniel Shapiro (Segal School of Business, SFU), Paul Shorthouse (Globe Foundation), Naina Sloan (Western Diversification), Elmer Sum (TIME Ventures), Julian Taylor (Intuit Strategies), Julian Thorsteinson (Consultant), Brent Toderian (City of Vancouver), Bob Wilds (Greater Vancouver Gateway Council), Tom Winkler (Port Metro Vancouver), VEDC Staff.

Proceedings:

Phil Heard, CEO of VEDC, opened the Workshop at 8:15am and welcomed participants. He noted that:

- The purpose of the workshop was for VEDC to get feedback on the economic development strategy (EDS) that would be presented to the City in the fall
- While climate change and human resource development were important for economic development, they would not be a major topic today, because VEDC had recently held a Workshop on human resources, and the City's Greenest City Action Team was developing recommendations on climate change and "green" sectors of the economy.

He then introduced City Councillor and Deputy Mayor Geoff Meggs

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Deputy Mayor Meggs provided a warm welcome to attendees on behalf of Mayor Gregor Robertson. He noted:

- The Mayor's strong business background, and his concern about maintaining a balance between economic development and addressing climate change.
- All of Council is committed to economic development, with a focus on strong export orientation and a commitment to encouraging innovation, and will work with VEDC to create a strategy that will take the city's economy forward. The City has already increased VEDC's budget so that it can take maximum advantage of the 2010 Games opportunity
- While senior governments have the key policy tools and resources to support economic development, there is much that the City can do to contribute to its own economic future. This Workshop is an opportunity to hear the concerns and suggestions of the City's business community.
- Vancouver has been buffered from the current economic storm, and it has been in its own economic bubble for a long time. The forest fires burning across the province remind us that the City is part of a larger ecosystem. Decisions on global climate change made outside of our city will nevertheless affect the city.
- It is important to have a common approach to economic development throughout the region.

He went on to discuss what the 2010 Games might mean to global perceptions of Vancouver, based on Turin's experience with the 2006 Winter Games. Prior to the Games, Turin was the Detroit of Italy, struggling to compete with Milan and Florence. Turin's vision was to revise internal and external messages; though the media played up chaos in the city during the run-up to the Games, the city was successful in repositioning itself as a hub for technology, design and the slow food movement.

Prior to the Games, that city had a familiar nickname - No Fun Turin. The city shut down business and stressed culture during the Games, successfully redefining itself as a leisure destination. So there is no doubt that the Games changed Turin, in a positive way.

One focus of Vancouver's Games is on being green wherever it makes economic sense. A second part is about our people and technology. A good example is the Olympic Village – it's an asset, it's beautiful, it's a lab for sustainable development... it's a test in the way incomes and facilities have been mixed. We want a city community with a mixture of incomes, and the Olympic Village is testing us on all levels. It is an interesting laboratory of BC based architecture, beautiful design, and lessons on financing.

Phil Heard thanked Deputy Mayor Meggs, and identified in advance some key messages:

- A robust economic development program will strengthen our long term prosperity. While cities and regions cannot completely control their economic destiny, they can have a huge influence on it. This is particularly the case in cities

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and regions that are well endowed with economic advantages, as Vancouver surely is.

- The increasing global mobility of both firms and highly talented individuals has made cities major players in economic development. This is well understood in many communities, throughout North America and elsewhere, which have clear, well financed economic development strategies. Vancouver does not have such a strategy, but should have one. We need such a strategy immediately, to help to address the impact of the global recession, and to take advantage of the economic opportunities provided by the 2010 Games
- Economic development means developing human resources as well as businesses. We can't build businesses without talent and we can't attract talent without growing businesses.
- Climate change is a major business factor, the "green" sector is a major business opportunity.
- Long term prosperity depends on the region and the entire community working together. A successful economic development strategy cannot be developed and implemented by government alone. Nor can it be done by the private sector. We will only be successful if all parts of the community – businesses, academics, not-for-profits, and governments – work together. And it means working collaboratively at the regional level wherever we can.

John Tylee, VEDC's Director Research and Communications, presented the business and human resource context for the EDS.

Business Context

- Vancouver incomes are low in a North American context. Our low incomes relate to low productivity and low export levels in our businesses, two issues that are at the core of senior government responsibilities in the economic area
- When we look at income performance over the last decade, we find our growth in incomes is about average – we're not moving forward, but we're not slipping back either
- One of the greatest strengths of our economy, and probably the reason it has held up so well in the recession so far, is its diversity
- We're always looking for the next sector that will replace the enormous wealth that forestry used to bring to the province. We like to think that high tech will do the trick, but the aggregate results to date – at least in employment – have not been stellar
- A recent U Vic paper characterized the last boom as being all about "real estate and shopping" - its clear we are not growing many jobs in sectors that generate export earnings and higher incomes
- We spend more than we earn; people characterize Vancouver as a place where people spend the money they have earned elsewhere, rather than a place where people earn money.

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- We are the wealthiest city in Canada, but we also have more poverty than other cities, so we end up with what is probably the worst income distribution in Canada. We need to generate tax revenues to pay for services to those in need – that's why we need to stimulate the economy and income levels
- The most distinguishing feature of our business sector is the very small size of the firms – they are significantly smaller than in other cities in Canada, which correlates to our well known lack of head offices
- What's even more startling is the rate at which our average size of firm appears to be shrinking. We are very entrepreneurial, and firms are growing slightly faster than the labour force – but even as the labour force expands, the number of firms with more than 10 employees is falling...
- While provincial and federal tax incentives, or other programs, might someday entice larger firms to Vancouver, for the present, an EDS for the City has to recognize and address the fact that we are a community of very small firms – the median number of employees is 4
- Younger generations work in different ways, in different places – nearly 21% of the population works from home or from no fixed address
- Small firms have special needs that must be addressed in an EDS:
 - Bidding on major contracts
 - Linkages to foreign markets
 - Procurement opportunities
 - Regulations
- MetroCore is the heart of the city's economy
 - It is fundamental to the city, the regional and the provincial economy
 - It is very different, in its demography and business structure, from the rest of the region
 - It is highly vulnerable
 - It has extraordinary economic opportunities

Human resource context

- The region has high quality institutions, but an average number of graduates in the workforce
- Vancouver is an extraordinary place to live, but few can afford to live here. This means that an EDS has to address those issues that keep the young, internationally mobile talent that modern economies depend away from Vancouver. It may be particularly fruitful to concentrate on attracting mobile talent at the time people are beginning their families, because this is typically the time they make a lengthy commitment to a community. For this group, the most pressing issues are affordable family housing – i.e. at least 2 bedrooms and a minimum of 1100 sq. ft. – and child care, so these two issues need to be addressed in the EDS
- While Vancouver enjoys exceptionally high ratings as a tourist and business travel destination, young people in the city characterize it as a No-fun-city. Much of this relates to City regulations, in areas such as liquor licensing. Lifestyle is an

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important consideration for younger employees, so this issue needs to be addressed in the EDS so that the city can be more successful in attracting and retaining talent

- While Vancouver is regarded as the second most multicultural city in North America, it is also ranked worst among major Canadian cities in integrating immigrants into the economy. This reduces the city's human resource capacity and should be addressed in the EDS. Better programs to integrate other hard-to-employ populations into the economy should also be part of the EDS.

In summary:

- Vancouver is under performing economically, relative to its assets:
- We have great opportunities – if we can help our small business grow
- Our livability is a huge asset – if we become talent friendly
- MetroCore is vulnerable, but full of opportunity

BREAK

Phil Heard reconvened the meeting at 9:20 a.m. and provided an overview of a well-developed, well-financed economic development program.

Core Activities:

- Retention of existing businesses, especially in MetroCore, and manufacturing
- Attraction of new business by working with incoming investment missions
- Expansion of existing businesses through improvements in the business climate and assisting key clusters
- Convening stakeholder discussions to catalyze action on business issues
- Economic research
- Communications

Incentive Fund

- Purpose
 - Seed funding for emerging clusters
 - International linkages for established clusters
 - Demonstration projects, especially green tech
 - Facilitate incoming firms
- Public-private: management, determination of funding criteria, processes, etc

Attraction: Outgoing

- Maximizing the 2010 opportunity, multi-year program
- Regional collaboration & VEDC-only programs
- Development of a business brand

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Lee Malleau, VEDC's Director of Business Development, outlined VEDC's City and regional 2010 Games programs, covering:

- VEDC's City programs
- Developing Vancouver's Brand
- Regional collaboration through Metro Vancouver Commerce (MVC)
- The membership of MVC (Vancouver, District & City of North Vancouver, New Westminster, Richmond, Surrey, Port Moody, Maple Ridge, Coquitlam)
- Metro Vancouver Commerce Programs:
 - Visual identify and regional brand: Powerhouse Paradise
 - Regional Mobile business licensing
 - Beijing pilot program
 - Research and information, regional opportunities map
 - Korean investment initiative
 - 2010 Olympics partnerships investment program
- 2010 Business Program Overview
 - Leverage Olympics to attract international companies for b2b activities
 - Invitation to up to 50 targeted international business leaders
 - Deliver an extraordinary, professional experience
 - Program timelines, post Games legacy
 - Unprecedented intergovernmental collaboration
 - Oversight committee
 - Federal government 60 multinationals
 - Province 100 multinationals, nationals
 - Metro Vancouver Commerce: 50 SMEs plus coordinated MNE targets
 - 25-30 announcements post Games

Phil Heard presented various communities' investments in economic development and outlined a plan to fund a robust economic development program in Vancouver:

- While there are unique factors that contribute to the budgets of each jurisdiction, Vancouver's budget for economic development, on a per capita basis, is significantly less than those of smaller communities in BC, as well as of those of other major Canadian cities
- US cities that are the same size as Vancouver, such as Portland and San Francisco have expenditures that are up to more than 20 times larger on a per capita basis than Vancouver's
- VEDC proposes a budget of up to \$6M per annum, or about \$10 per capita:
 - City of Vancouver core funding of \$2M
 - an ask of up to \$2M from the private sector
 - City of Vancouver dollar for dollar match of private sector contributions
- This approach is consistent with those of Halifax and Ottawa, which are well funded thanks to significant private sector contributions.

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- \$10 per capita spending on economic development is in line with best practices among Canadian cities.

Discussion

- Congratulations on pulling the 2010 program together and getting regional collaboration, which is vital. The financial target is reasonable. One of the biggest challenges is that the City is a beautiful place to live, and that beauty makes us a little complacent on the economic development activities.

Phil Heard: If we don't do this, we would become a resort economy; if that happens, the #1 export would be our kids. They would have to move to where the jobs are.

- Q: Will any of the \$6M funding go toward regional programs?
A: Each municipality makes their own contribution to regional programs, so, yes, some of the \$6M would go to Vancouver's share of those regional programs
- If you're looking for young, it's more about the job environment, the opportunities, benchmarking, against other Canadian cities. We have world class tech companies, with world-class deals, that are not being marketed.
- Many mineral exploration companies are headquartered in Vancouver – their employees work in mining exploration around the world, but call Vancouver home. Perhaps research or interviews on why the mining community continues to choose Vancouver as its home. Vancouver is always competing with UK etc, employees in mining exploration are mobile in spirit; who can pick up and go.

Phil Heard: The jobs are important, but the choice to live in Vancouver is all about livability.

John Tylee: VEDC can work with associations to do more research and reflect it into the brand that Lee was talking about. Vancouver has had many years of successful branding as a tourism destination and the world has bought the message. We need to tell the world, with equal enthusiasm, that Vancouver is also a dynamic research economy, with a rich human resource base.

- We need to be clear to distinguish between the region and the city of Vancouver. Be very mindful of what we're selling when we're out in the world, to be clear about the Vancouver region and what that is. Voices like the Vancouver Board of Trade will celebrate successes.

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- Things are changing and we need this. In this downturn, BC is hunkering down, not incurring much debt, where other jurisdictions are more aggressive. It doesn't take much to move for a more attractive opportunity.

Phil Heard: We have worked extensively with the Ministry of Small Business, Technology and Economic Development, but their responsibility is for the entire province; they are not providing much focus on this region. Their perception is that Vancouver can look after itself – VEDC is prepared to take the lead on looking after the economic development of the Vancouver region

- The Board of Trade has a strong interest in this subject. Grassroots and start-ups are what the province and industry are looking at. Many voices, same message: getting the region in the forefront in the World. We need to lead the charge for funding. Municipalities in the region will each want an economic development officer so inbound inquiries can be handled. We need to avoid silos, parochialism.
- Economic development has been a challenge in Vancouver since I've been here (3 years), but is now picking up speed, progress is being made at the regional level. Liveability, beauty, quality of living are highly important - our competition knows this, and places like Calgary are trying to copy what we do.
- VEDC has dispelled the misconception that we are just a resort economy. Vancouver is resilient and diverse and we need land and space to develop that diversity.
- Affordability is the biggest challenge. Is the issue that we lack high-paying jobs or is it that our employers are paying less because people will take less to live in Vancouver; what can you do about that?

John Tylee: Not certain what we can do directly about income levels; we know that employment compensation for university grads is lower in Vancouver than other cities. Grads and other workers are often willing to take less to live here. The other part of issue is that we don't have a large base of large corporations. Corporations teach you how to work together and manage in a structured environment; many will tell you there is a lack of senior management expertise in Vancouver.

Phil Heard: High tech and other sectors pay very well - we need to grow in those areas.

- There seems to be a lack of information about opportunities. Is it because we lack head offices, or lack incentives, or is it a lack of knowledge about funding? There is a disconnect somewhere.

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John Tylee: Large corporations have the opportunity to outreach that small companies don't have. VEDC's proposed plan would address some of the necessary information linkages. The real problem, very clearly, is that young people are saying they can't make connections. Small atomized institutions, but no one is providing social capital within the sectors, and social capital is just as important as money.

Phil Heard: That's why a list of funding opportunities and projects is important. BCTIA keeps a list, but only for the technology industry they serve. There needs to be a cross-sectoral list.

- The Ethno-Business Council been working on success stories for a couple of years. Would you work on this with us?

Phil Heard: Yes we would. The stories are for the unaccredited media. They don't have the same amount of access to athletes as the accredited media do, so they are looking for stories. Our idea is to find companies that are owned by or work with another company within a country competing in the Games... to make the story relevant to the media's home country. Please forward your ideas for great successes stories to Lee Malleau (lmalleau@vancouvereconomic.com)

- We struggle with not communicating our successes well, there is a lack of awareness of what we do. What about a local domestic success story?
- Regional focus is important. If VEDC receives the \$6M funding, will that allow it to leverage business development opportunities for companies already working in Vancouver? For example, Aviation Routes is a conference of representatives from 400 airports, airlines, the airlines throughout the world. Vancouver is hosting Routes 2010 in September, 2010 and the vast majority of attendees have never been to Vancouver. Here's an opportunity for the VEDC to partner and leverage the VEDC contribution with the conference investment. Those are the kinds of partnerships that may provide the greatest economic development impact. (http://www.yvr.ca/authority/airmail/archive_details.asp?id=888)

Phil Heard: I agree, and VEDC does that now with such organizations as Life Sciences, WIN BC and Siggraph. This is a great opportunity.

- Linking to the story Deputy Mayor Meggs told us about Turin, can Vancouver use the 2010 Games to change its brand from forestry to technology? Secondly, we are considered as unfriendly by other Canadian companies. If this is true, what about the global perceptions?
- This is long overdue and I applaud you for taking the lead, but I question asking the city for more money at this time. As well, it's important to look at the burden

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on small business from regulations; the region needs to start measuring regulations, regardless of whether they start to revise regulations.

What about using the Games to get the attention of visitors who may be retiring soon, but may want to still keep their hand in business? Since Vancouver seems to have a lot of boutique sized businesses, maybe those prospective retirees will want to buy a small business in Vancouver?

Phil Heard: Last October (2008) VEDC held a regulatory conference with three industries and City of Vancouver. The City agreed they would start measuring regulations, and they agreed to a follow up conference that will take place soon. VEDC has invited other municipalities to participate; the conference will be produced by Metro Vancouver Commerce, and will look at regulatory activities throughout the region.

As for talent attraction during the Games, VEDC is planning to set up areas throughout the city, where people interesting in relocating to Vancouver can sign up to receive more information about immigrating, business opportunities, etc.

- The technology sector, all SMEs, and pre commercial projects need capital. The mining industry here has access to capital, and more specifically risk capital, but this hasn't shifted over to technology financing. What would VEDC do to attract more risk capital into Vancouver? This is a financing centre, and it could be a green tech financing centre.

Lee Malleau: Building capital is a critical issue and the region is not very good at it. Innovation will follow capital, which means firms leaving Vancouver - and British Columbia - to relocate where capital can be raised. VEDC is working with the Canadian consulate offices to develop a Venture Capital and innovation boot camp with VC investors from San Diego and Silicon Valley. Other tactics during the 2010 Games include exposing VC and investment specialists from around the world to our industry opportunities in key sectors. In addition, we will connect international VC expertise with our local VC community.

- An informal poll on twitter asked people to think of one thing to improve business in Vancouver. Affordable housing was top response. Other comments covered Vancouver as a no-fun place with short mall hours and archaic liquor laws. Vancouver is identified by its innovators and entrepreneurs, not its head offices. Are we putting energy into bringing back the large head office corporation?

John Tylee: I don't believe it's worthwhile for a municipality to chase head offices. The global economy is moving in the opposite direction – from national head offices, to North American head offices, to global head offices – which is why so many of our head offices have left. Municipal governments don't have enough money to impact that trend; we should focus on what we're best at - and

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Vancouver is great at entrepreneurship. How can we grow our own firms better and faster?

Think London, the economic development agency for London UK, - (newsletter at <http://www.thinklondon.com/>) has made a strategic decision to concentrate on attracting small and medium companies – as small as 1 employee. They believe this focus provides a better bang for their buck than hunting large corporations.

- We need to come to terms with finding a way to make doing business affordable. Vancouver has become a three-day holiday city. Businesses are small, and don't have the income, nor the support of government on regulations... without collateral, we sell early, and that business now relocates somewhere else. All big jobs leave Vancouver; 50% of all Vancouver companies in the international language school industry have been sold to foreigners, foreigners will purchase an additional 50% of our remaining businesses over the next 3 years. What happens to Vancouver?
- 70% of available land is zoned green - conservation or agriculture – which limits the supply of affordable land. That should be in the mix.

VEDC Chair Maureen Kirkbride thanked the attendees for their perspectives on economic development, and summarized their input in six messages:

1. Vancouver needs to do a better job on marketing – domestically and internationally
2. Regional collaboration is key to successful economic development
3. Balance between quality of life and business centre
4. Collaborate with industry, and other levels of governments, on economic development initiatives
5. Work with civic government to reduce regulatory hurdles
6. Successful economic development relies on community input

The final draft of the economic development strategy will go before Council in the fall. Assuming you share our view, I would encourage you to communicate your support to Council. Private sector involvement and financial support is highly important; if Council approves the VEDC strategy, then we will be back to ask for your contributions. Thanks to Phil and his team for arranging today's event.

Phil Heard thanked the participants and adjourned the meeting at 11 a.m.