

Western Canada's economic boom is worth celebrating. The question is, how may we help turn the West's challenges and opportunities into Canada's long-term gains?

A NEW CANADA

While the West may be leading the national economic parade, it is still part of that larger parade. The West is doing well because Canada is doing well, and, of course, Canada is doing well because the West is doing well.

By Dr. Roger Gibbins,
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All conventional indicators show that the western Canadian economy is booming. Housing markets and urban growth are strong, immigrants and migrants from across Canada continue to flood into the region, and unemployment has virtually disappeared as employers across the board struggle to find employees. Moreover, this economic strength is characteristic of the region as a whole; although the boom is most pronounced in Alberta, no province is being left behind.

In part, the regional boom reflects the general strength of the Canadian economy. While the West may be leading the national economic parade, it is still part of that larger parade. The West is doing well because Canada is doing well, and, of course, Canada is doing well because the West is doing well.

At the same time, the regional economy has some more distinctive strengths. Commodity markets are strong, particularly in the ener-



gy sector, and the West's relatively small manufacturing base is not as exposed to global competition as is the older and relatively much larger manufacturing base in Ontario. For western Canadians, strong global economic growth provides markets more than it does competition.

However, there are also challenges that must be addressed. Many of these are challenges that Canada as a whole faces: very tight labour markets, an aging population that will make those markets even tighter, a rising Canadian dollar and troubling signs of weakness in the American economy, under-developed infrastructure connections to global markets, and uncertainty with respect to both energy supplies and climate change.

Other challenges are more unique to the West. For example, the region's relatively

large and relatively young Aboriginal population presents both policy failure to date, in terms of limited integration into the regional labour force, but also a longer-term solution to labour market shortages if we can get our act together.

A second example is the need for resource-based industries, including agriculture, to move up the value chain, to become less reliant on bulk commodities such as bitumen, wheat and lumber.

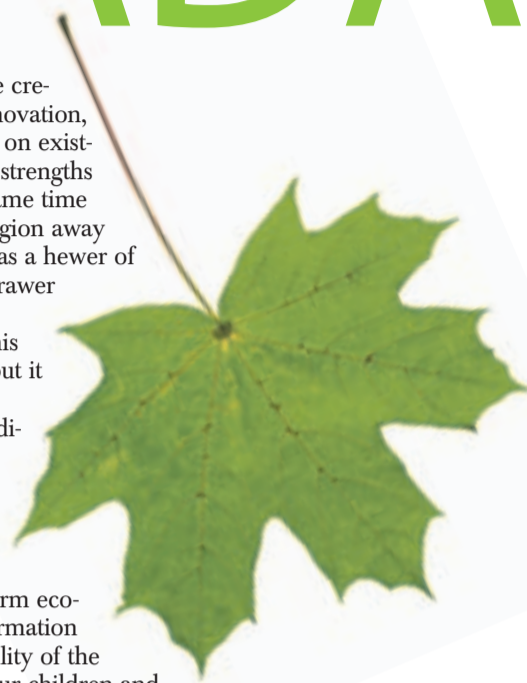
The larger, more all-encompassing economic challenge is how to use the current resource boom to fuel the region's economic transformation, to use today's wealth to ensure truly sustainable economic prosperity tomorrow. Although the present boom provides much of the financial wherewithal that will be needed for that transformation, the challenge goes well beyond finding enough money.

We know, for example, that traditional forms of economic diversification will not do the trick. It makes little sense, for example, to use public incentives to lure automobile plants to the prairies, or textile industries to Vancouver. Instead, we need to get ahead of the global curve, to design a public policy architecture that

will encourage creativity and innovation, that will build on existing economic strengths while at the same time moving the region away from a future as a hewer of wood and a drawer of water.

None of this will be easy, but it is essential. If western Canadians take the current boom for granted, if we do not actively plan for the long-term economic transformation and sustainability of the region, then our children and grandchildren will pay the price. And, given the national importance of the western Canadian economy, so too will Canadians at large.

There is an old bumper sticker from the early 1980s that can still be found around Alberta: "Dear Lord, give us another oil boom and we promise not to piss this one away." That is the promise that all western Canadians, inside and outside the energy sector, should be making today as they ride the crest of an unprecedented boom in the regional economy. ■



Opportunity Saskatchewan

Welcome to the boomtowns

Saskatoon has rapidly diversified over the past decade, moving away from traditional agricultural activities to high-tech work such as life sciences at the Innovation Place research park.

Discussions of Western Canada's economic boom often focus on Alberta. Lesser known, however, are the burgeoning opportunities in Saskatchewan, where the provincial government, civic authorities and other groups have engineered an impressive economic revival in recent years.

Saskatchewan's brighter days followed a "a very difficult period during the nineties, and it is only during this (current) decade that a turnaround has occurred," said Edward J. (Ted) Chambers, a research professor at the Western Centre for Economic Research at the University of Alberta.

Provincial policies designed to boost the competitiveness of Saskatchewan's business climate and foster innovation have paid dividends.

Today, Saskatchewan's economy is expected to grow by 4.8 per cent in 2007 – third best in Canada behind Newfoundland/Labrador and Alberta – according to a just-released provincial economic outlook by RBC. "There is enough momentum in the numbers to give a good two-year outlook for Saskatchewan relative to the rest of the country," said Derek Holt, RBC assistant chief economist. He credits that growth to the province's "diversified strength."

At the local level, Saskatchewan's economic charge has been largely led by Saskatoon, which has the fastest growing city economy in Canada, says the Conference Board of Canada. Saskatoon has rapidly diversified over the past decade, moving away from traditional agricultural activities to high-tech work such as life sciences at the Innovation Place research park, located adjacent to the Canadian Light Source synchrotron, one of the world's most advanced research facilities of its kind.

The Saskatoon expansion is evident in both its goods-producing sector, notably

resources and construction, and in its services sector – primarily professional and technical firms, health care and information/culture, said Mr. Chambers. Companies in Saskatoon are also engaged in the fast-expanding market for "green" fuels, including wheat-based ethanol and canola-based biofuels, such as biodiesel.

"We've probably been the best kept secret in Canada, but now the world has taken notice," said Alan Migneault, CEO of the Saskatoon Regional Economic Development Authority. A prominent international business magazine (fDi-Foreign Direct Investment) has recently ranked Saskatoon number one for economic potential in North America in the "small city" category, and was rated as a Top 10 "City of the Future."

Growth in Regina has also been on a steady, upward curve that has paid dividends on many fronts, including increased productivity. For instance, Regina's GDP grew at a pace of 2.6 per cent from 2003 to 2006, with virtually no population growth, says Larry Hiles, the president and CEO of the Regina Regional Economic Development Authority. Now that the population is finally starting to grow, that GDP growth is set to hit 3.5 per cent in 2007, he said.

"We've got lots of diversified growth," said Mr. Hiles, pointing to a recent expansion of Regina's Innovation Place research park; activities at the Petroleum Technology Research Centre and Hydrogen Technology Centre; and the busy ethanol and biofuels companies that reside in the city. "Regina will soon be home to the largest wheat ethanol plant in North America," he said, in reference to Terra Grain Fuels.

A huge jump in demand for ethanol is also benefiting prairie farmers who grow wheat and canola for conversion to biofuels. "This is giving additional strength to our rural economy," said Mr. Hiles. ■



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A NEW CANADA

Environment, communities, infrastructure

Can growth and sustainability go hand in hand?

"Canada's big challenge is to ensure that we keep investing in the infrastructure needed to meet the demand. We have to act quickly to avoid bottlenecks that will result in lost opportunities."

Western Canada's economic boom is coming at certain prices, as the environment and communities bear costs of growth. While sustainability challenges are emerging, global forces continue to urge Western Canada to keep up its pace.

Not long ago, climate change was a debate. Today, it's all around us.

Jesse Row, director of the Sustainable Communities Group at the Pembina Institute, says Mountain Pine Beetle infestations in B.C., and increasingly Alberta, are transforming the forests and the forest industry. "That's climate change right in your face."

Dwindling water resources are another issue. "Alberta's water resources are diminishing," says Todd Hirsch, senior economist with ATB Financial. "Once water becomes more and more scarce, consumers will be forced to rationalize their use of water."

A common link between these challenges, Western Canada's oil and gas sector – a major underpinning of Canada's hot economy – is



Calgary's sprawling suburbs offer a snapshot of the challenges facing communities from Saskatchewan to B.C.'s Lower Mainland and beyond, where skyrocketing real estate prices, lagging infrastructure and other issues are straining residents and communities. PHOTO: ISTOCKPHOTO.COM

both a major consumer of water and an emitter of greenhouse gases.

While job opportunities seem endless, workers are facing inflationary pressures such as skyrocketing housing prices. "Especially in Alberta, and increasingly in Saskatchewan, the run up in house prices is a major con-

cern to the average citizen," says Brett Gartner, senior economist with the Canada West Foundation.

Yet, the forces propelling growth, such as global demand for energy, loom ever large. Canada's potential to capitalize on Asian trade is another key driver.

Cliff Mackay, president

and CEO of the Railway Association of Canada, says the demand for rail services will increase as trade with Asian markets continues to flourish.

Fortunately, industry and communities are working to address their challenges.

In the oil and gas sector, companies are implementing

new technologies to mitigate environmental impacts. Petro-Canada's Strathcona County refinery, for example, now uses only recycled water drawn from the City of Edmonton's Gold Bar Wastewater Treatment Plant. Carbon dioxide (CO₂) capture and storage is another important innovation. The Alberta Energy Research Institute is hoping that injecting CO₂ into the ground to facilitate enhanced oil recovery will result in a 25 per cent reduction in GHGs per unit of energy produced by 2012.

Cities from Calgary to Saskatoon are addressing their housing issues. The City of Calgary, for example, has just allowed the legalization of certain types of secondary suites in an attempt to create more affordable housing.

When it comes to infrastructure issues, Mr. Mackay says, "Canada's big challenge is to ensure that we keep investing in the infrastructure needed to meet the demand. We have to act quickly to avoid bottlenecks that will result in lost opportunities." ■

Oil and gas

B.C. and Saskatchewan energize resource development

Alberta is the epicentre of Canada's thriving oil and gas industry, but Western Canada's resource rich geology doesn't end at the Alberta border.

While Alberta is still home to close to 80 per cent of total oil and gas industry spending – a whopping \$41.5 billion in 2006 – Saskatchewan and B.C. are working to reap economic benefits of resource development.

"B.C. and Saskatchewan have realized that they have to market themselves," says David Pryce, vice president of Western Canada Operations with the Canadian Association of Petroleum Producers. "They've done a remarkable job of that, especially in the last five years."

Mr. Pryce says the capital will go where its attention is grabbed.

"B.C. has grown tremendously in the last number of years, and Saskatchewan con-

tinues to grow incrementally," adds Alan Boras, manager of media relations at EnCana Corporation, pointing out that two of EnCana's nine key natural gas resource plays are in northeastern B.C., and 10 per cent of the company's overall production comes out of the province.

Mr. Boras says unconventional drilling practices and the use of new technologies, such as underbalanced nitrogen drilling, have made key resource plays possible in B.C. including Cutbank Ridge, which started producing in 2003, and Greater Sierra, which started producing in 2002.

In Saskatchewan, EnCana has a cutting-edge enhanced oil recovery project at the 53-year-old Weyburn oilfield using CO₂ collection and injection to create the pressure needed to force oil flow. Mr. Boras says the enhanced oil recovery technology gave

Weyburn another 25 years of life.

Currently, according to the Canadian Centre for Energy Information (CCEI), Western Canada is responsible for 89 per cent of Canada's oil production; producing 2.3 million barrels per day in Alberta, 433,418 in Saskatchewan and 75,554 in B.C.

As well, CCEI says Alberta, B.C. and Saskatchewan are Canada's top three natural gas producers: producing 15.3 billion cubic feet per day in Alberta, 3.4 billion in B.C. and 927 million in Saskatchewan.

All three provinces stand to gain much through further growth in Western Canada's oil and gas sector. In 2005, the region's oil and gas sector paid \$14.3 billion in provincial royalties, fees and bonuses to the province of Alberta; \$2.7 billion to British Columbia; and \$1.4 billion to Saskatchewan. According to Mr. Pryce,

B.C. and Saskatchewan's fiscal regimes aim to encourage oil and gas development.

Saskatchewan's oil and gas resource base, for example, is made up mostly of heavy oil, which has a lower rate of return. And in B.C., tapping into local resources is less economic simply because the infrastructure isn't yet fully in place. But, with the royalty and tax systems those provinces have put in place, they've made themselves more competitive, he says.

This may become a bigger factor, given the issues currently being addressed in Alberta. "The province's royalty discussion may lead to even more activity in B.C. and Saskatchewan," says Mr. Pryce.

CCEI points out that the big story in Western Canada remains, however, Alberta's oilsands, with a reserve second only to Saudi Arabia worldwide. ■

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Help wanted

Economic bonanza fuels efforts to fill jobs

While upsides of Western Canada's economic boom are amply evident, rapid growth has also generated considerable labour shortages prompting governments, industry and academics to respond with initiatives to attract, train and retain workers.

The Alberta Occupational Supply and Demand Outlook (2006-2016), for example, says that province alone may experience a labour shortage as high as 109,000 people within the next 10 years.

Among the companies taking action, Elk Valley Coal Corp. (EVCC) is on an all-out drive to lure talent to its operations. Among its efforts, EVCC, one of Western Canada's most prominent coal-mining enterprises, is recruiting internationally and offering apprenticeship training. Among the 700 trades people now working at EVCC, 130 – or about 20 per cent of its heavy-duty mechanics, welders, electricians and millwrights – are benefiting from the company's apprenticeship program.

And then there is EVCC's "value proposition." About 2,850 of the company's 3,000

employees live and work in rural settings that most people go to for vacations, says EVCC human resources manager Ian Anderson. "Lifestyle is a large part of what attracts people to us," he says. "Also, our organization is smaller, so there are fewer layers and more opportunity for professional movement."

EVCC's stance is helping. The company's annual turnover is just 9.81 per cent – less than half of the western provincial average of about 20 per cent (including retail and part-time workers), says Mr. Anderson.

Initiatives such as the B.C.-Alberta Trade, Investment and Labour Mobility Agreement (TILMA) are helping facilitate the flow of skilled workers across provincial borders. "It's great, it helps eliminate barriers, for instance, by making job designations more 'portable,'" said Mr. Anderson. But he would like to see more efforts directed to shortening approval times for work permits for foreign employees, which he says can often take five months or more for professionals such as mining and process engineers.

Schools, including the

Northern Alberta Institute of Technology (NAIT), which provides more apprentice training than any other school in North America, have become conduits of opportunity for people seeking careers in the trades and technical professions.

While noting the skill sets of Canadian trades personnel "are second to none in the world," NAIT president and CEO Sam Shaw cautions that Canada needs to do more to improve its competitiveness and productivity.

Mr. Shaw notes Canadian technical innovation ranks at the bottom of the G8 nations, and our productivity is improving at a snail's pace compared to other advanced nations. Echoing the concerns of groups such as the Ontario-based Institute for Competitiveness & Prosperity, Mr. Shaw sees higher learning as key to Canada's future. "The key to enhancing our productivity and innovation is working with technical institutions to produce applied research that pays dividends to business," he said.

He credits companies that embrace a "life-long learning" approach to employee train-

ing, and others that support higher education, such as Sunco Energy Foundation and Shell Canada, which he says have made major investments in NAIT's Campus Development Plan.

Companies seeking new hires are finding success in some previously underutilized segments of the population. NAIT, for example, says new Canadians are among its most successful graduates, achieving 90 per cent employment. Women graduates are also on the rise, with a 21 per cent jump in female civil engineering technology graduates in one year.

Aboriginals, however, continue to be an underutilized labour source, says Peter Holle at the Frontier Centre for Public Policy. "There is a great pool of labour there, but the federal solutions for Aboriginals, like the false economies of the reserve system, don't work. The question is, how do we get this resource online?"

Mr. Shaw says NAIT's approach is part of the solution. "NAIT's Aboriginal students' completion rate has soared from 30 per cent to over 80 per cent," he said. ■

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