

## Submission to Provincial Budget Consultation: October 17<sup>th</sup>, 2016

### About the Presenting Organization

The World Trade Centre Winnipeg (WTC Winnipeg), is a private-sector focused, not-for-profit organization. Formerly known as *l'Agence nationale et internationale du Manitoba* (ANIM), the bilingual WTC Winnipeg was re-launched in 2012 to operate under the World Trade Centre brand. The initial investment in the WTC license came solely from private sector investments, which includes license co-holder the Winnipeg Chamber of Commerce.

[www.wtcwinnipeg.com](http://www.wtcwinnipeg.com)

The WTC Winnipeg delivers programs and services to Manitoba companies to help them pursue trade, and thereby grow the provincial economy. Objectives are to facilitate new business opportunities, support capacity to do business internationally, and get more SMEs engaged in trade.

Services are available to companies across the province and at different stages of development (from start-ups to established exporters), with a primary focus on SMEs. Major activities include:

- Trade Information, Research, and Market Intelligence
- Contacts, Introductions, and Business Matchmaking
- Individual Client Support and Advisory Services
- Trade Missions (planning, preparation, follow-up support)
- Trade Education and Training

We believe the value proposition of the WTC Winnipeg brings new resources, connections, and branding to the province that can complement and enhance existing programs.

### Trade program priorities:

1. Assist Manitoba companies and organizations to identify and pursue international and/or out-of-province business opportunities.
2. Increase engagement in trade by Manitoba companies by providing information, research, training, and advisory services.
3. Raise awareness of trade and investment opportunities in Manitoba and promote the capabilities of Manitoba companies.

### Program criteria:

- Provide unique, and value-added services
- Respond to the needs of the business community
- Utilize core strengths and expertise of the WTC Winnipeg (e.g. WTCA network)
- Respond to gaps in the current service provider ecosystem
- Leverage the resources and offerings of the Business InfoCentre (BIC), which is existing federally-funded program delivered by the WTC Winnipeg
- Align with provincial and federal government priorities
- Generate clear outcomes defined in terms of new business opportunities.
- Work in collaboration with existing entities to leverage mutual strengths and mitigate service duplication

## Recommendations

Understanding the priorities for Manitoba Finance as identified prior to the October 17<sup>th</sup>, 2016 consultation session, the comments below are focused on the three areas of: making front-line services more efficient, opportunities for growing Manitoba's economy and strengthening the northern economy.

### **Making front line services more efficient**

The WTC Winnipeg is an independent, not-for-profit organization. We deliver trade services to Manitoba companies, but operate externally to the government bureaucracy. Our comments for this question focus on two main points:

#### **1. Seek the most effective service-delivery vehicle**

Relating specifically to the economy, our organization is involved in supporting businesses to grow and expand in new markets. In the case of front line support to businesses, our observations in the field prompt us to ask the question of whether a government department is always the most effective vehicle to provide support services to enable business growth.

One example is the case of communications blackouts during a pre-election period. While we understand the logic for neutrality – this is not the issue – we have observed how its application can have adverse effects on the business community and produce inefficiencies in front line service. For example, the WTC Winnipeg organizes a major global business forum called Centrallia, which brings hundreds of businesses together from around the world (29 countries, 634 participants, \$225 million in potential new sales). However, due to a blackout period in the months leading up to the 2016 forum, the Province was not able to market this event through its trade channels, neither locally nor abroad, which diminished the potential impact and undermined its own investment in the project. Independent organizations are not subject to such restrictions.

Business moves quickly and to be relevant, support services must be flexible, agile, and able to rapidly respond to changing market conditions, opportunities, or needs of business. We must move at the speed of business, operate efficiently, and be held accountable to clear performance metrics. There are a number of independent organizations providing complementary services that could effectively respond to the needs of businesses and be delivered independently.

#### **2. Focus on creating the conditions for success**

Governments have a very important role to play in creating the conditions and the framework in which business can have success, but it is important that resources be focused on the appropriate functions that the private sector cannot address. For instance, two key areas stand out:

- i. **Reduce red tape.** Make it easier for business to start, operate, and grow in Manitoba.
- ii. **Harmonize regulations with other jurisdictions.** Specifically looking at interprovincial trade, we continue to hear from businesses about regulatory barriers between the provinces that make it difficult or discouraging to grow within Canada, which make entrepreneurs either less competitive or less interested in seeking to grow beyond Manitoba.

## Opportunities to grow Manitoba's economy

### 1. Manitoba needs strong, proactive trade development

Manitoba has a stable and diverse economy that has shown itself to be among the strongest performing jurisdictions in Canada in recent years. We are blessed with many of the skills, resources, and attributes necessary to build world class companies and a strong economy. However, when it comes to competing in the global marketplace, we have challenges: a relatively small local market, distance from major markets, and a lack of brand awareness about Winnipeg and Manitoba.

**To compete for global trade and investment opportunities, we must boldly and aggressively support the growth of Manitoba companies**, provide the necessary assistance to help them access new markets, while very actively promoting Manitoba as a business destination.

The WTC Winnipeg recently conducted a major global marketing campaign to promote Winnipeg and Manitoba, and invite international business leaders to come to Manitoba to attend the global business forum Centrallia 2016 (May 25-27, 2016). One clear finding from this experience is that **Manitoba must work so much harder than many other jurisdictions to compete globally** and gain attention for what our province has to offer. We can be successful, but we must be bold, proactive, and utilize all available channels.

### 2. SMEs are key to trade growth and job creation

Like in many jurisdictions, the Manitoba economy is mostly comprised of SMEs. They represent 99.7% of total companies in the province and 90.6% of total employment. This predominance underscores the importance of maintaining a healthy business environment for SMEs and finding ways to support their growth.

Despite having the country's sixth largest provincial economy and a GDP surpassing \$58 billion, Manitoba remains a relatively small market in global terms, which **inherently requires our companies to sustain growth outside of its borders**. And, although the proportion of Manitoba SMEs that export (11.9%) stands slightly above the national average (10.2%), the reality is still that the vast majority still do not. The more export-oriented companies we can develop, the stronger and more competitive we become as a province. This practice is now firmly rooted in international best practices.

Increasing the proportion of SMEs that access new markets is one of the most effective, long-term strategies to grow exports and increase the proportion of SMEs engaged in pursuing international markets. But international trade is complex and daunting for many small businesses, and they must be supported with the information, strategy, and connections to be successful in international trade: **we need to make it easy for them**.

Moreover, those that export focus primarily on the United States (over 90% of SME exports are to the US). Although the US is still an attractive market, and will still be the best opportunity for many SMEs (new exporters in particular), it is important to be mindful of ensuring market diversity in our export strategy. The empirical evidence demonstrates that exporting to a diversity of countries makes smaller enterprises much more competitive.

***The recommended strategy, in line with growing international consensus and established best practices, is to provide robust trade advisory services to encourage export growth among SMEs, and ensure access to relevant business-to-business connections around the world through proven and trusted partners.***

## **Strengthening the northern Economy**

### **Expertise in Northern markets**

The WTC Winnipeg has been quite active in researching and identifying Northern business opportunities over the past couple of years. We have therefore provided some additional background and context to this section.

We just completed a successful mission to Nunavut (September 25-27, 2016). A total of 22 Manitobans participated from 15 organizations with some positive leads generated for new business.

We also recently hosted two highly successful Northern and Arctic conferences involving leading scientific experts and industry representatives from around the world's northern regions (2014 and 2016). The subsequent B2B portion of these events has led to sales for northern companies and generated discussions with northern governments and economic development authorities about how to deepen trade relationships with Manitoba going forward. They have also injected some creative new approaches to new business opportunities.

The WTC Winnipeg has also presented at key northern events such as: Arctic Ambitions organized by the WTC Anchorage (Alaska), the Arctic Business Forum (Rovaniemi, Finland), the Hudson Bay Regional Roundtable (Churchill and Rankin Inlet), and The Pas Hub Forum (Manitoba).

Finally, for the past two years, we have been working with the Opaskwayak Cree Nation (OCN) to help support and facilitate an exciting indoor LED vertical farm project ("plant factory") in a joint venture with South Korea. The pilot project of the LED plant factory has been running for the past 8 months, and we are now assisting them with leads to sell and distribute this technology to other regions of Northern Canada (Nunavut in particular).

### **Manitoba's North in a global context**

Globally, there is significant interest in the Northern and Arctic regions of the world for its business development potential in key sectors such as resources, energy, and transportation. Concurrently, Canada's northern communities have long had difficulty in procuring jobs and investment due to the unique challenges of living in small isolated towns. These problems are presently exacerbated in Manitoba in Churchill and The Pas with recent closures of the port and the paper mill, and the persisting conditions in many First Nations communities.

While business opportunities do exist in the North, underlying potential is restricted by prohibitive travel costs, a lack of market awareness, and the lack of personal contacts. These trade barriers restrict the region's ability to participate in the national and international economy which subsequently leads to difficulty in fostering local economic development and employment

There is also a clear gap in the business-to-business space in which the WTC Winnipeg excels. Despite growing interest in the circumpolar region's business potential, current focus tends to be more scientific, academic, and technical in nature. Some initial efforts have seen attempted to foster more economic exchange through bodies such as the Arctic Economic Council, but to date few have really gained traction.

## **Recommendations on strengthening the Northern economy**

### **1. View the North as a gateway to international markets**

The WTC Winnipeg believes there is an opportunity to pursue new and timely opportunities as part of a market development strategy focusing not only on Manitoba's North, but expanding to other Northern and Arctic regions of the world. The notion is to help Manitoba-based companies understand and access opportunities related to northern economic development, and also facilitate uptake of Manitoba expertise in northern climates and isolated locations.

This approach will achieve a number of outcomes, including: increase interprovincial trade, facilitate new opportunities for northern economic development, and prepare Canadian companies (SMEs in particular) for future success in international markets, thereby providing some strategic avenues to leverage forthcoming trade deals such as the Free Trade deal with Europe.

Various types of resources are available to assist Northern communities to address the underlying issues hampering economic development, but gaps remain that are specific to trade development expertise. In effect, northern economic development is lacking an entity which can effectively lower barriers for domestic and foreign trade, and generate the required relationships throughout the region.

### **2. Match the appropriate strategy to the need**

Using a simplified framework for understanding questions of northern economic development, there are two distinct levels to understand and evaluate needs, opportunities, and challenges:

- i. *Large scale, major investments* – For example, major infrastructure projects such as port and rail development, transportation, power lines, and resource operations. These projects typically require major capital investment. For infrastructure projects these typically require significant public sector investment from multiple levels of government and would be long-term in scope (and timeframe to execute).
- ii. *Community-level initiatives* – Most northern and remote communities have small populations (from a few hundred to a few thousand). Many northern communities also have a tremendous need for sustainable economic development, as well as many social and infrastructure challenges that need to be addressed to improve overall economic conditions. But, as each local market is very small there is a need for creative solutions and innovations at this micro level.

Both scenarios above are important and are part of the overall picture, but the important thing to note is that they each require quite different strategies, and must be viewed in different timeframes.

There are many small-scale solutions that can be implemented at the community level that can have positive economic benefits and be achieved in much shorter timeframes, even while infrastructure investments are important in the long term.

### **3. Focus on meeting the needs of Northern communities**

With the above framework in mind (point #2), we feel it is important that the economic development strategies for Northern Manitoba focus in meeting the needs of northern communities and improving economic conditions. But, at the same time, this strategy can dovetail nicely with a market-oriented approach.

The flipside of addressing challenges is that there is opportunity for the private sector to respond and/or to partner with communities. The WTC Winnipeg has identified business opportunities in the following areas: energy, communications, waste management, transportation and logistics, food security, cold climate technologies, housing and construction, and services.

### **4. Be open to new models for economic development**

Partnership is the way forward to develop business opportunities in most northern communities, and in particular with Indigenous communities. From the 2015 State of the Business Community Survey that the WTC Winnipeg conducted in partnership with the Winnipeg Chamber of Commerce, we know that nearly 30% of Winnipeg-based businesses are interested in exploring new business opportunities in the North. We therefore have plenty of opportunity to match need with opportunities.

In addition, international partnerships represent another promising way to work with northern communities. Many technologies and expertise exist in the work that could be applied in Manitoba, and there are opportunities to seek investors as well, provided that clear business cases and value propositions can be identified.

Part of the key will be to find the appropriate business models and to be open to creative solutions. In some cases this may be looking at various social enterprise models in Indigenous communities that can not only bring economic benefits, but also opportunities for training, employment, or even health benefits.

A clear illustration of this approach is the OCN-Korean joint venture with the LED project referenced above. This is not only bringing access to high quality, locally-grown fresh produce, but is employing youth in the community, and the hi-tech nature is being incorporated into the high school curriculum to engage students with science.

Seeking out existing solutions and facilitating creative partnerships can be an effective part of the overall strategy.

### **5. Ensure favourable conditions for the resource sector**

It has been quite well documents the extent to which resource development has been on the decline in Manitoba. In mining in particular, there has been a decline in the sector, and there is virtually no exploration taking place. Global commodity prices are a factor, but often cited reasons also include the consultation process and the environmental licencing. Taking measures to ensure Manitoba is on a level playing field with other jurisdiction in our ability to attract investment and get projects operational will no doubt benefit Northern Manitoba.