

4Front Atlantic Conference 2013

At the 4Front: An Action Plan for Atlantic Canada



4FRONT ATLANTIC
CONFERENCE

**ATLANTIQUE À
L'AVANT-GARDE**
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4Front: The Brief

The world economy is at a pivot point. It is battered by the great global financial crisis and recession, and is being reshaped by pervasive globalization -- in information flows, supply chains, and capital and labour markets. It is being transformed by the economic gravity shift to Asia and other emerging markets and adjusting to the demographics of aging in advanced economies.

Economic and political power is gradually shifting from the United States --- our main trade, investment, and political partner --- to China, India, Brazil and other emerging economies where Canada's political, business and trade linkages are much less developed and our "brand" is much less clear.

The demographics of an aging population will have a profound effect on the Canadian economy and society over the next decade and much beyond --- affecting health, education, and pension systems; putting a premium on raising our productivity growth; and underscoring the importance of immigration and skilled labour for our competitiveness.

These forecasts are not fanciful or debatable, but are onrushing realities for all developed countries. They are particularly acute for Atlantic Canada, which has the most challenging demographics of any region of Canada. Our trade is most concentrated in countries and regions that are not benefiting from the global gravity shift, and we lag a Canadian innovation and productivity performance that itself is lagging the OECD.

Yet uncertainty and volatility are also inflection points for great opportunity. Only those who understand the restructuring trends can mobilize for their communities for change. We in Atlantic Canada can do this, but we have to act, and act now.

That is the context into which the three 4Front Atlantic conferences have thrust themselves. Given the challenges, how can Atlantic Canada, and particularly our private sector, respond? The goal is not just to talk about change – and there has been very good talk – but to launch an action plan to deliver concrete results long after the curtain falls on the final conference.

4Front is not just a series of conferences but a movement built on key premises: We must do things differently; we must challenge the status quo; we must adapt rapidly to the changing world; and we must show private sector leadership. Indeed, the goal is to change the economic horizons for this region by 2020.

The movement must act as an instrument of radical change. Governments in Atlantic Canada have done a good job of shepherding the region through immense challenges, but in this new era, the drive to change must come from the business community – from

shop floors, offices, fishing boats and biotech labs. And to succeed, these disparate strands must be knitted together in collaboration that spans an entire region.

As global traders, we need to transform what we produce towards more innovative goods and services and shift more of our future trade towards fast growing, emerging economies and their new middle class consumers. We need an educational environment where universities and community colleges play a lead role in developing the talent and the research excellence Canada needs. We need to provide much needed capital and mentoring advice to fledgling start-ups and young entrepreneurs, and an alignment of strategic interests across governments, the private sector and higher education.

Driving this effort is productivity and innovation, which lie at the heart of competitiveness and living standards. A more productive and innovative country can better adapt to new circumstances, create new jobs, and generate prosperity. So, can we proactively reshape ourselves and our ambitions to expand our potential rather than being reactively reshaped by global trends and external forces? Can Atlantic Canadians be leaders in adapting to this changing world order? We think we can.

The rest of this document contains analysis and recommendations to take us in this important direction. It is organized into five core areas:

- 1. Talent**
- 2. Innovation and Productivity**
- 3. Going Global**
- 4. Access to Capital**
- 5. Government**

In a volatile global future, we must take pride in the solid strengths that define Atlantic Canada but we cannot afford to rest on these. We must act with a sense of urgency, and be willing to do things differently. The time is now.

4Front: The Challenges for Atlantic Canada

When we kicked off the 4Front Atlantic exercise three years ago, the challenges were steep and deeply ingrained -- low economic growth, low productivity, stagnant population, high public debt – and, if anything, they have become even more daunting.

Yet the opportunities have grown larger too, as globalization has intensified and new markets in Latin America and Asia have blossomed. Any effort to change the economic prospects of Atlantic Canada has to reflect that balance – to be both realistic about the obstacles, and hopeful that they can be conquered, because the rewards are now so vast.

The Talent Trap

Success in any society, any era, depends on people and the skills they possess. We need to devote more energy and ideas to the development of human capital. Atlantic Canada generates, as a proportion of the population, one of the richest talent pools in the world, spawned by high-calibre universities and colleges which draw students from outside and inside. Yet the region bleeds talented young people in staggering numbers, as they search for meaningful employment elsewhere – often despite a passion to remain in the region. To make it exponentially worse, we desperately lack new immigrants to fill these gaps and enrich our talent pool. Meanwhile, employers are starved for specific job skills, and lack the resources to make their own investments in training and development.

It is time to bridge this confounding paradox of departing young people, low immigration and unsatisfied demand for talent, and it can only be done through focussed, strategic and sustained interventions.

We must keep in mind that Atlantic Canada lacks the concentration of resources and population found elsewhere in the world. So, if we are to compete, we need to take a uniquely aggressive approach to talent retention and development, attract our share of new immigrants, and build policies and programs that better match our people with opportunities throughout the region. In 2011, Atlantic Canada took in 4878 economic immigrants, 0.21% of its population. This is very low when compared to the national total of 0.45%.

2011 Economic Immigration as a Percentage of Population

Nova Scotia	0.15%
New Brunswick	0.20%
PEI, Newfoundland & Labrador	0.30%
Total Atlantic Canada	0.21%
Total Canada	0.45%

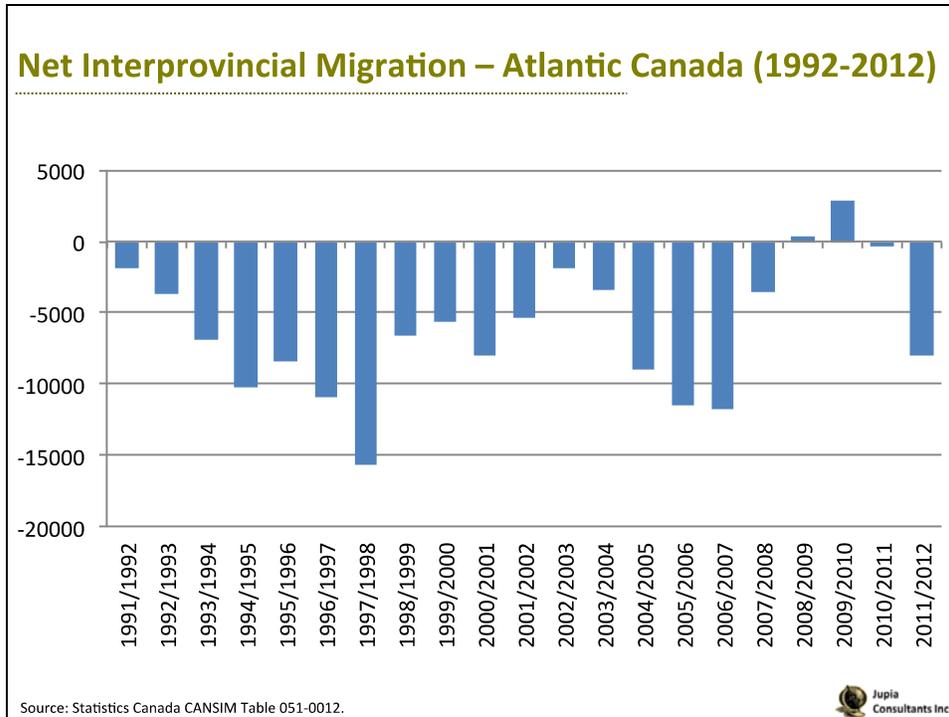
Source: Citizenship and Immigration Canada

Economic immigrants are people selected for their skills and ability to contribute to Canada's economy, including skilled workers, business people and provincial nominees.

The challenges are complex. Our population is aging, with an alarming decline in the younger demographic cohorts. In fact, Atlantic Canada is the oldest cohort in the country. The heavy out-migration (inter-provincial and other) and relative weakness of

immigration has triggered an average net loss of 6,400 people a year since the early 1990s – and that has led to population atrophy.

Put more starkly, more people lived in Atlantic Canada 20 years ago than today. And our labour force has only seen a compound annual growth rate of 0.55% over the last ten years, less than half the Canadian average which itself is slowing. Recent increases in immigration have been promising but have not stemmed the erosion.



Despite 20 years of net out-migration, Atlantic Canada reports much higher than average unemployment, particularly at the younger and older ends of the workforce. Atlantic Canada, on a proportional basis, boasts fewer university graduates and a higher percentage of people without a high school diploma than most other provinces. Yet, paradoxically, a higher percentage of our population holds a post secondary certificate or college diploma – which suggests a capacity for training that can be built upon.

Labour Force Compound Annual Growth Rates

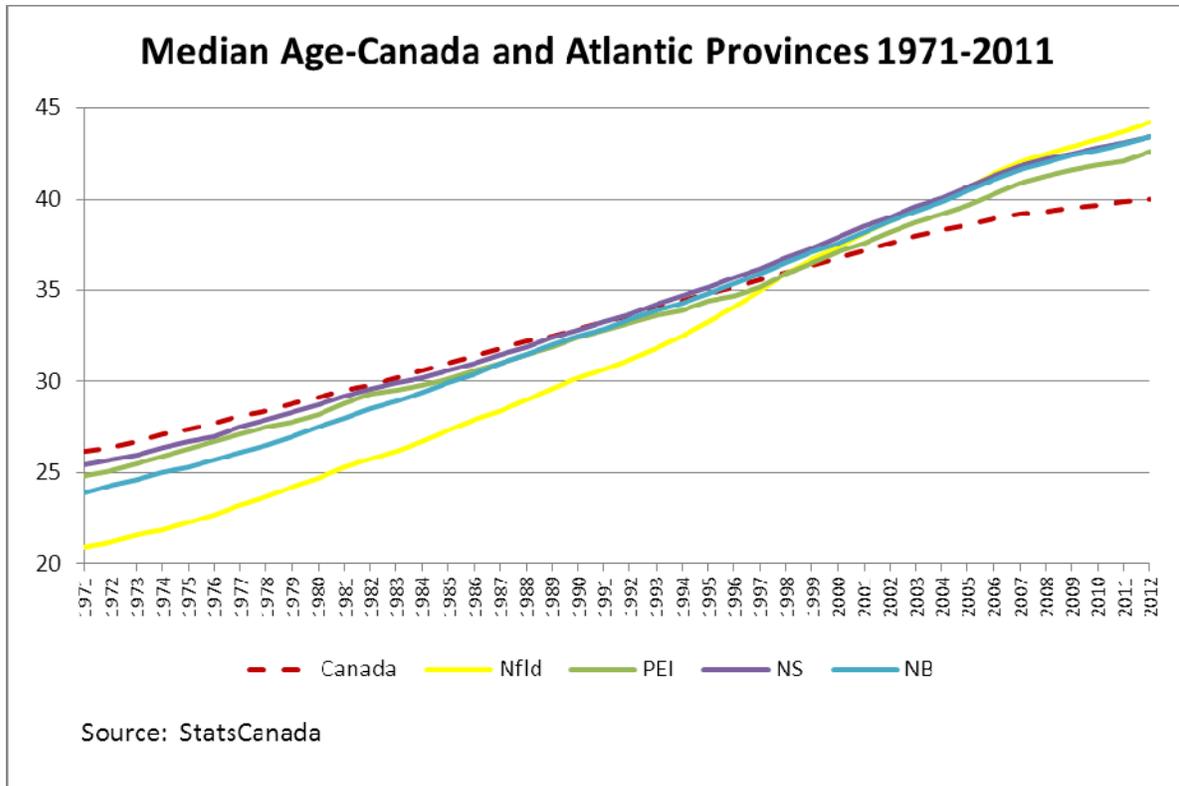
	20 year	10 year	3 year
Canada	1.39%	1.32%	0.99%
Atlantic Canada	0.71%	0.55%	0.46%
Newfoundland	0.39%	0.57%	1.54%
PEI	1.15%	1.11%	1.74%
Nova Scotia	0.83%	0.68%	0.22%
New Brunswick	0.70%	0.28%	-0.19%

Source: Statistics Canada

Overall, there is a huge human cost to this demographic/skills trap -- a cycle that further saps the energy and productivity of our people. The region has a lower average income than the rest of the country – even though technically, it has a lower percentage of people living below the poverty line. The region has some challenging health as well as social outcomes; for example higher-than-average rates of diabetes, smoking, and both adult and child obesity. But the devil lies in the details: We are more dependent on Employment Insurance – often, the product of seasonal employment – and that lifts some people above the poverty line. This is a fragile foundation for a good productive life in an age when governments and companies are under intense financial pressure.

To compete with the best, we must rely on our people. We need a public education system that can meet the changing requirements of workers, employers, students and citizens. It must create opportunity and mobility in a fiercely competitive knowledge economy. It must incorporate the information revolution into the classroom, rather than have it shape our kids from the outside. It must engage students in citizenship as well as entrepreneurship.

We are not without outstanding role models of entrepreneurship and innovation in Atlantic Canada --- we have produced some of Canada’s best. But they are too often the exception rather than the rule. And the Aboriginal community, particularly when it works in partnership with outward-looking companies and educational institutions, has created successful business ventures, investments, and jobs across the region, with Membertou in Cape Breton being a great example.



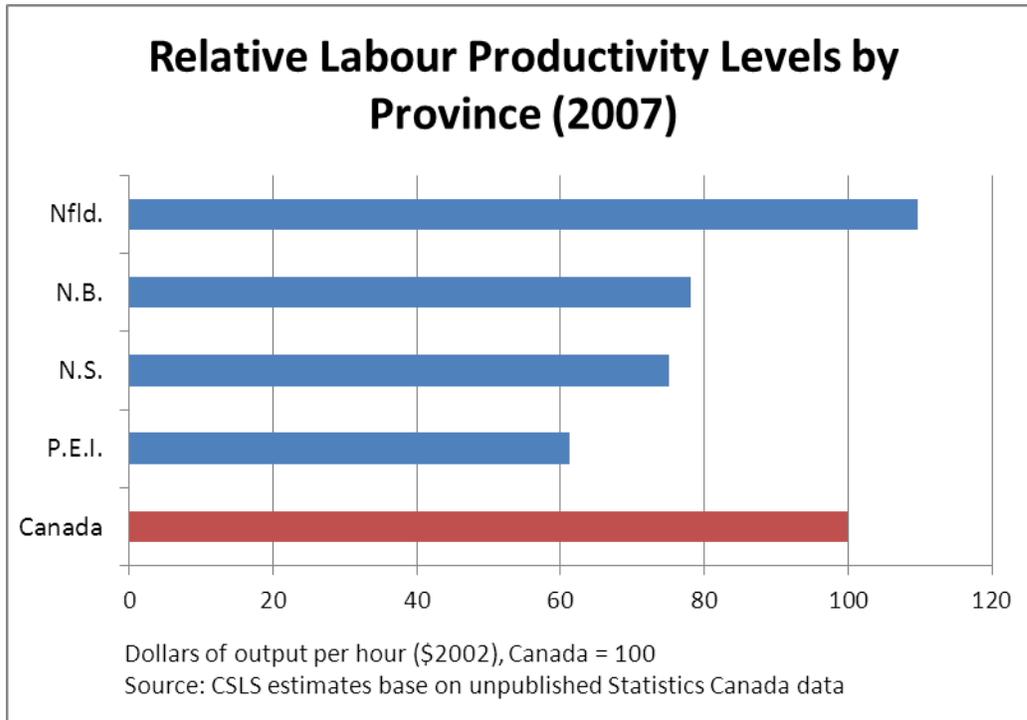
Innovate or Die

For its people to lead healthy, productive, satisfying lives, Atlantic Canada desperately needs more innovation. Innovation underpins growth in productivity and productivity is the key to a better standard of living. Productivity does not necessarily mean working longer hours or even working harder. It means increasing output from each hour worked, and that is where innovation comes in. The development of new products, services, and processes that increase the value and efficiency of what we produce is essential to driving productivity. All this is particularly crucial in a region that is not adding enough people – and so it must instead add new ideas, and better ways of working, just to keep up in the global economy.

Yet the innovation-productivity picture in Canada, and Atlantic Canada, is not pretty. In the World Economic Forum's global competitiveness ranking, this year Canada slipped from 12th to 14th in its overall ranking, scoring behind China and ahead of Norway. Atlantic Canada, for the most part, has been at or near the bottom of the national innovation and productivity scale for most of the past decade.

This chart tells it all – an alarming productivity gap between the Atlantic Provinces and the rest of the country. And we must remember that Canada as a whole badly lags the United States in business sector productivity. Newfoundland and Labrador is a positive

outlier, measuring up well in total productivity, but it too lags badly in the key metric of R&D spending as a percentage of gross domestic product.



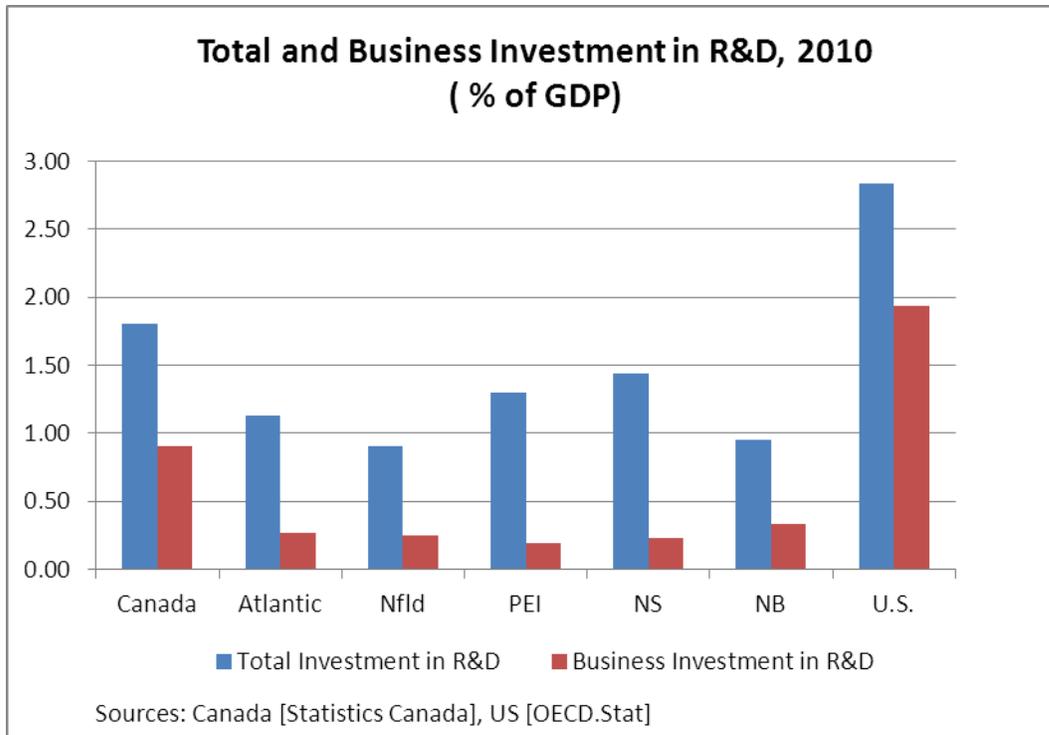
The role of innovation in generating a better standard of living and a more competitive recovery is increasingly recognized in countries ranging from the United States to Sweden, Israel and Singapore. Indeed, it has become a key message of recent federal budgets, and each Atlantic province has also highlighted innovation and productivity as pillars for future growth. They recognize that a lack of significant innovation over the past twenty years has led to our poor productivity growth performance.

But government alone cannot overcome the longstanding causes -- a risk-averse business culture; chronic under-investment in machinery and equipment; lack of focus on export markets; and most important, inefficient and insufficient support for innovation.

We would put much of that history behind us if we could do one thing: Raise research and development spending, particularly in the Atlantic Canadian business sector, as the key to unlocking opportunities. As the chart shows, we are a chronic under-performer, and largely because the business community has failed to engage in continuous development of products, services and processes.

Universities, to their credit, are overwhelmingly responsible for R&D within the region. Dalhousie University, University of New Brunswick and Memorial University of

Newfoundland account for the vast majority of direct expenditures on R&D, which is why our total investment in R&D, while below the Canadian average, isn't nearly as bad as the comparable business investment in R&D.



But our universities have not been very successful in commercializing technology. That is primarily the role of business, and the business community perceives academia as being difficult to engage with in meaningful relationships, and likely vice versa. We need to find ways to break down these two solitudes as they have a common interest in more innovation. The colleges, for their part, have some applied R&D in areas such as gaming, underwater welding, and advanced manufacturing. But in all cases, there is a disturbing lack of public awareness about what is being done on campuses and how business can play a role in commercializing the schools' discoveries.

Not all is doom and gloom. There are pioneering programs to bridge the gap, such as Springboard Atlantic, which acts as a link between business and the universities' research capacity, and AcelR8, a New Brunswick program aimed at knitting together innovative clusters.

As well, there are massive capital programs underway in Atlantic Canada – such as the Muskrat Falls hydro project and the ship building contracts. We must capitalize on these megaprojects in many ways, including using them as springboards for innovation. We must invest in advanced skills and processes that stay in the region long after the last shovel has clawed into the earth.

The Need to Go Global

Even if Atlantic Canada mounts a drive for improved competitiveness, it also needs a strategy for venturing into new markets in a changing world economy. We have been slow to react to the shifting global centre of economic gravity, and slower still to adapt and move forward. We must realize that our competitors and customers are no longer down the street—they are from around the world.

The major challenge lies in ingrained practices. Over 75 per cent of Atlantic Canadian international exports flow to the United States and fewer than 500 companies account for our export effort. Even if the U.S. eventually pulls out of its slow-growth rut, which is debateable, we can no longer afford to be so reliant on one market which faces such severe headwinds – and with so few internationally oriented companies.

And the promise of a free trade agreement with the EU should, in theory, offer new opportunities. But in reality, fiscal austerity and demographic challenges in Europe is a recipe for sluggish and uneven growth.

Now, compare this outlook to the growth trajectory for the rising economies in Asia. And factor in other high-growth regions in Latin America, such as Brazil, Colombia and Chile. The global imperative for Atlantic Canada can be captured in a few salient statistics:

- The GDP of emerging economies now accounts for nearly half of global GDP and is growing at more than double the rate of western economies.
- Asia's population is undergoing massive urbanization at a rate not seen before in human history. Asia's population will be 50 per cent urban by 2020 with nearly half of global GDP growth will come from 440 cities in emerging markets.
- By 2025, 52 per cent of global middle class consumption (approximately \$22-trillion) will be derived from the middle class in Asia and almost half of this will come from China.
- In Indonesia alone, over 90 million people, 2.5 times the population of Canada, will join the middle class. Brazil has a new middle class almost double the size of Canada's population.
- Asia is interested in our products and services—For example, Western Canada is seeing an annual 22% compound growth rate of Chinese tourists. And, the growing middle class in emerging countries will need products and services that we have to offer ranging from baby food, to health and education services, to financial services, to nutritious foods and much more.

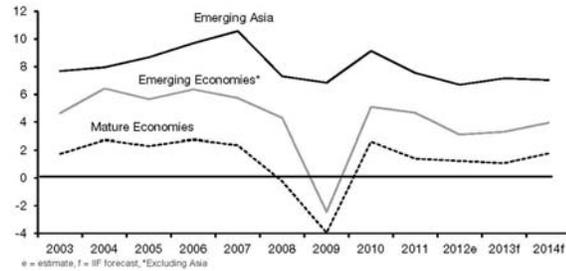
THE NEW GLOBAL REALITY: A 2 SPEED WORLD

2-Speed World: The Facts

Growth Prospects
(IMF, April 2013)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	
1-2% world	Adv. Econ.	1.2	1.2	2.2
	U.S.	2.2	1.9	3.0
	Euro Area	-0.6	-0.3	1.1
	Japan	2.0	1.6	1.4
	U.K.	0.2	0.7	1.5
	Canada	1.8	1.5	2.4
5-8% world	China	7.8	8.0	8.2
	India	4.0	5.7	6.2
	Brazil	0.9	3.0	4.0
	Russia	3.4	3.4	3.8

2-Speed World: the Visual



So where is Atlantic Canada in this historic transformation? In many ways, we are still stuck in the trade patterns of the 1980s and 1990s. And yet the opportunities for wealth creation in these tectonic shifts are unprecedented. Emerging economies and their rising middle classes will rely on the rest of the world for inputs to build their infrastructure, design and fuel their modes of transportation, as well as feed, house and educate their citizens.

Canadian capacity, such as energy, mining, agri-food, information and computer technology, aerospace, education and tourism can all be positioned to garner significant benefits from the growth in global trade flows from these rising economies. Atlantic Canada can and must position itself now to get its fair share. This requires better language skills, improved knowledge and support for our businesses and a focused approach to get traction.

The challenge is that other regions, often better organized and financed, see these same opportunities. They are creating strong linkages among their private and public sectors, and leveraging these linkages to make informed choices about where they can create global and national champions. They have a focused global trading strategy – and that is what Atlantic Canada needs now.

Access to Capital

To push out into world markets, Atlantic Canada has to overcome its chronic, severe challenge in gaining access to capital. It is a complex problem, the amalgam of cultural, economic and regulatory issues. What is clear is that at every stage of the growth cycle – from seed funding, to growth capital to public and private equity markets – Atlantic Canadian companies have trouble raising the money they need.

Atlantic Canadian companies rarely make use of certain kinds of available financing including subordinated debt or asset based lending – and our companies rarely go public. Though the population of the region accounts for about 7% of Canada’s total, the region traditionally takes in less than 2% of the capital raised through venture capital and public equity. In short, too little capital is flowing into our growing companies and our incredibly promising pool of smart young people, and we need to fix it.

The good news is that the innovation/ high-growth sector is being propelled by gusts of recent tailwinds. Note the stunning success of firms like Radian6, Q1 Labs, Ocean Nutrition Canada and GoInstant, where globally-leading companies in their fields were nurtured in Atlantic Canada, and early investors have exited with market leading financial returns that, it is hoped, can be reinvested back in the region. These are models of what we can do, and they have unleashed a wave of angel funding from inside and outside the region. But while it is a great start, there is still a dearth of financing required as companies move from first seeds to global relevance.

The splintering of provincial efforts is particularly problematic in raising capital. The region comprises four small provinces, and the regulatory patchwork provides little or no harmony among the various agencies. One potential tool to improve financing -- equity tax credits – is offered only to residents of the particular province in which the target company is based. And the credits’ effectiveness is blunted by low caps on dollar amounts. What’s more, the thrust for change lacks the prod of an industry association speaking for startups and innovative, high growth, companies across the region.

The financing gap is starkly illustrated in the failure to tap public equity markets. Of the 3,800 publicly listed companies in Canada, only 47 (1.2%) are based in Atlantic Canada. Of course, going public is not for every company. The region is replete with examples of great companies that have remained private. But if our companies are to lead the region into the new global economy, public equity markets must be seen as a serious funding option.

The Public Sector

Consider that the population of the four Atlantic Provinces is about 2.3 million. Meanwhile, the population of the Greater Toronto Area is cresting 6 million. And yet,

Atlantic Canada has four different provincial governments and four different regulatory and economic strategy frameworks. This complexity is a product of history. We have to accept the reality, and work within it to create a more consistent framework of policy and regulation. But it means being more creative and better coordinated, with private and public sectors tackling the challenges together.

One such goal is economies of scale, with the potential for unit cost advantages that comes with larger markets and a bigger population base. The provinces have found efficiencies, for example, in joint procurement policies. But there is still frustrating inconsistency in regulation, which raises the cost burdens for business operating in the four provinces. Overregulation and inconsistent regulation are like a silent insidious tax, and there are no net winners.

And then there are the myriad export and investment strategies. It is daunting enough for a single province to co-ordinate its economic efforts, but what about four? The provinces often appear to be offsetting each other – both in the products they are trying to promote and the regions they are trying to sell into. While there is an attempt to leverage synergies, we seem to be exporting in four different ways and the inefficiencies are clear for all to see. Our political leadership must be challenged to better set priorities, and to mandate their departments to stand behind a concerted and collaborative effort, so we can get the full benefit from export promotion.

The challenge is to streamline and co-ordinate efforts on many fronts – from trade to skills development to immigration. There are too many programs, too many forms to fill out, too much process, and too little focus on outcomes and results. Government needs to continue to challenge itself do a better job of partnering with business to encourage trade and investment in this changing global market place.

We do not need common government, but we do need common purpose in Atlantic Canada. With this should come better coordination of intent and activities, and more joint policies and programs. Our companies' competitors are no longer within our region, but stretch around the world, and we have to reflect this in how we do government.

The Call to Action

The challenges outlined above paint a troubling picture of lost opportunity, relative economic decline and lack of meaningful dynamism. Yet while it is important to be honest with ourselves, it is too easy to be negative – we know there are problems, but there are also opportunities to be seized. Clearly, the status quo is not an option. If the region faces the same landscape of relative decline in 2017, the game is up, and we can look forward to more generations of young people leaving, of populations aging, and of deepening and profound irrelevance in the global community.

The answer is action – and that action has to be driven by the private sector, businesses big and small, and by their leaders, young and old. There is a tendency in Atlantic Canada businesses to look to Ottawa, or to provincial governments, for industrial and competitive strategies. We have looked to solutions designed by others for too long. While we have benefited from some of these, this has not worked as a sustainable, long-term economic strategy. Any sustainable drive to lift this region’s prospects has to come from within, from an energized private sector, acting in collaboration with strategically minded governments and some of the best universities and colleges in the world.

We must find solutions that both sweep across the Atlantic region to create partnerships and ecosystems – but also draw on the energy and savvy of the single employer, the venturesome entrepreneur, the individual researcher, the skilled tradesperson, the worker in the trenches, the business leader.

The rallying cry must be:

“What can I do to make Atlantic Canada a more promising place for our children -- so that they can realize their potential and their dreams, and be successful in this changing world, living and working here in Atlantic Canada? How do we change to prosper in a world where China and Brazil are among the global economic leaders, old trade relations are no longer enough, and all markets are global? And how should I work with my neighbour, whether down the street or across the region, to seize these opportunities today for future generations of Atlantic Canadians?”

It is easy to be dazzled by megaprojects that can, for a period of time, benefit many people. But if all we do in the next twenty years is watch ships being built and see our oil and gas and minerals extracted without leveraging these unique projects, we will have missed a huge opportunity. There is great potential to grow an innovative economy so that the legacy of these projects leaves the economic landscape in Atlantic Canada profoundly changed for the better.

And others, not unlike us, are proving it can be done. One only needs to look to the Nordic countries for motivation. Arguably small countries on a global scale, they are described in a recent Economist special report as “having reached the future first”. Take Sweden, which is remarkable in its commitment to competition and innovation—it allows private companies to compete with government bodies for public contracts including many government services. Denmark uses its purchasing power to promote competition in the market and then encourages the makers of the best products to export globally. And in Norway, its “start up sauna” is a business accelerator program

that provides working space, coaching, trips and networking opportunities to not only high-tech firms, but also design firms and knitting factories.

The message here is: we can do it. As the Economist puts it, “they (Nordic countries) realize that promoting entrepreneurship is a matter of changing culture as much as providing money.” Within these pages, you can read about solutions that cut across provincial boundaries. This is not a call for Atlantic Canada unification; it is a call for Team Atlantic Canada, a unified approach to these new global opportunities. Government often works best when it works locally, but the economic effort we need must spur a level of unprecedented collaboration.

The name 4Front suggests four great provinces, but also the ambition to be at the forefront – to build a unique model of a large, thinly populated region that emerges as a leader in the new world order. Atlantic Canada has always prospered when it looks both inside to its people and outside its boundaries for inspiration and markets. That is what these following recommendations do: Working together, they set out how we can revitalize an Atlantic Canadian advantage.

The 4Front Action Agenda

The following 4Front recommendations are meant to stimulate and guide effective and permanent change in Atlantic Canada. They are the cumulative work based on contributions and discussions held during and after the 4Front Conferences, and the very hard work of five separate 4Front task forces focused on the areas for change that have the greatest leverage and potential impact. These teams were formed by volunteers who had attended the 4Front conferences and were invested and committed to helping lead Atlantic Canada to the forefront of the new global economy. Their work deserves our appreciation and, more importantly, our consideration.

For the sake of space, only the highlights are summarized here. It is a rich blend, and yet despite the breadth of the agendas, all the task forces came down squarely on the critical importance of talent and innovative thinking to Atlantic Canadian success: It is about people, and giving them the tools and creative license to seize the moment and create a more productive, more prosperous Atlantic Canada.

Capitalize on Talent

In a demographically challenged and technology-driven world, where talent and ideas are the new wealth of nations, we need to outcompete in pursuing an unrelenting focus on skills and human capital development, and on attracting and retaining highly skilled immigrants.

We must provide a way forward that can be acted on, and with measurable results. A new way of looking at talent must emerge: it is not a theoretical concept but a tangible thing with real economic, social and cultural impact. And for Atlantic Canada to succeed, there need to be three common aspects of our talent strategy: The actions must be low cost; they must have deep penetration; and they must have high impact.

Better coordination between the primary, secondary and tertiary education systems is critical. We need to create a “K-to-Work approach” where the focus is on what it will take to prepare students for the workforce of tomorrow rather than the fragmented educational systems of today. We need better links between formal schooling, whether it is K-12 or colleges or universities, and future employers. And, we need to provide better information, earlier on, to support students’ understanding of potential career paths and employment options in this new world.

To make it happen, we need to better integrate the “customers of education” with the “suppliers of education”. Why don’t we teach entrepreneurship in colleges and undergraduate degrees? Why not in high school? Information on future workforce supply and demand, and needed skills, should come from industry as well and be provided to educational institutions, students and parents through an Atlantic Canada online tool. The workforce of tomorrow had to start training yesterday, if we are to match future jobs with future graduates.

Course content from middle school to post-secondary should become more horizontal, stress creativity, and provide integrated learning, connecting technology with the arts and humanities as well as the sciences. And, in a global economy, languages should have an increased focus throughout the educational system. We should look at programs like the Business Boot Camp model at the Ivey School of Business, University of Western Ontario, and the McCain Institute’s Our Top Talent model to provide industry specific learning.

Experiential learning must play a larger role in our students’ education. At a secondary and post-secondary level, the combination of academic study with practical experience in business (and not-for-profits) gives students the chance to apply their knowledge, while trying out different careers and building skills. It provides real-time feedback to educational institutions, helping them update their curriculum.

To make it happen, employers throughout Atlantic Canada need to commit themselves to student apprentice and co-op opportunities. They can start by looking to models in use in Nova Scotia and New Brunswick (NBTAP and NS Workit), which give access to students in trades that can be apprenticed, and to the co-op model at the University of Waterloo, which is the largest co-op program in North America. At the same time, governments need to provide support programs for co-ops and apprenticeships, and incentives for employers providing these placements.

Similarly, employers must provide entry-level internships for new graduates. As with apprenticeships, governments should consider incentives for employers. And retired employees are a deep well of potentially powerful expertise that can be tapped. We need to find ways to leverage the experience of our own retirees to train or mentor new entrants to the workforce.

The world of massively online open courses (MOOCs) is upon us, as exemplified by the success of Udacity and Coursera in distributing university courses globally. We need to be leaders in the use of such teaching technologies in Atlantic Canada. The public educational system should also consider what this technology could mean for our core K-12 courses—if we took the best teachers and used interactive technologies to make high school science and math and language lessons available to all online.

To make it happen, we urge the public education system to further explore the concept of “flipped classrooms” with students learning on their own time, using online learning, and asking questions while in the classroom. It allows students to learn relevant material at their own speed with the best possible content as the driver. Inspired, engaging online teaching could get many more students through to high school graduation, and many more into the college and university system much better prepared to learn. And we need our postsecondary education system to be leaders in the application of MOOCs if we are to create a learning advantage in Atlantic Canada.

An essential element of building a competitive talent advantage in Atlantic Canada is immigration and the need for a clear and focussed strategy. Given our demographics, we need dramatically higher levels of economic immigrants to increase our labour force growth, expand our capabilities and stimulate more entrepreneurship.

To make it happen, we have to be clear about the scale of our problem and the scope of our ambitions. With labour force growth well below the Canadian average as a result of our aging population and out-migration, Atlantic Canada needs a rate of economic immigrants equal to, or above, the national average, and this will require more than doubling the rate of immigration into the region.

It can be done. Manitoba’s progress is a great inspiration and example. When the Business Council of Manitoba recognized immigration as a priority in the late 1990s, the Canada Manitoba Immigration Agreement allowed for 200 immigrants and their families to be admitted to Manitoba per year. Now the number is over seven times that. According to a recent study, the immigration rate to the province of Manitoba in 1999 was 3.3 immigrants per 1,000 residents, well below the national rate of 6.3 per 1,000. In 2008, Manitoba’s immigration was 9.3 per 1,000, well above the national rate of 7.4 per 1,000.

But to make it happen, we are going to have to create the same level of business-government-university-community partnerships that have been the hallmarks of the Manitoban success. It takes collaboration, it takes clarity about the skills needed, it

takes specific geographic targets, and it takes an engaged community to welcome and integrate these new Atlantic Canadians.

Social development is an important underpinning of a successful talent strategy. We need to improve the lives of people, and the vitality of their communities, so that they active participants in the economy and valuable contributors to the society.

To make it happen, employers must adopt targeted initiatives in their communities, providing employees with time to volunteer in tutoring, mentoring, and enriching lives.

Two valuable models are the University of New Brunswick-Saint John's Promise Partnership, where university staff and students assess the needs of a vulnerable neighbourhood and school community and then provide volunteer services from tutoring to nutrition help, and the Irving Partners Assisting Local Schools (PALS) model, where businesses are connected to local vulnerable schools.

To support healthy lives of their employees, companies should consider providing healthy options in on-site cafeterias and vending machines and encourage lunch time exercise for their staffs. We have a number of best practices in the region, but we need to make this more common practice.

Going Global

It is one thing to build a smart workforce, but for talented people to succeed, they and the firms they start or work for need access to growing markets—and these are not our traditional ones. We must have a clear, granular and region-wide global trade and investment strategy if Atlantic Canadians are to seize the incredible opportunities in emerging markets. And we want to not only “go global” from Atlantic Canada head offices, because of the nature of the jobs and services that head offices attract and support, but also to attract head offices to the region.

We must have a focus on the strategic business sectors and the strategic global geographies where we believe we can be globally competitive. To create the critical mass, the knowledge and the networks, we have to target the emerging economy markets deliberately and collaboratively. This in turn, will contribute to the growth of firms and sectors in Atlantic Canada.

The target sectors, in addition to energy which is already a focus, would likely include defence and security, aerospace, information and communications technology, oceans technology, education and training, tourism and agri-food. The new middle class consumers in emerging markets like the “Canada brand”; we have to introduce them to our Atlantic Canada range of goods and services.

Each sector task force should be given the mandate to develop a detailed regional strategic plan for its industry sector. These plans will become a blueprint to prioritize and inform key business processes, collective and individual actions and investment decisions in each sector.

To contribute to “going global” at the needed scale and speed, these sector plans should provide five year blueprints for building business processes, globally relevant competencies, strengthening competitiveness and expanding international trade flows in each sector. These plans should recommend supporting activities in the areas of training (including immigration), applied academic research, government processes, and innovation and productivity.

We also need to measure for managing to success. We must track Atlantic Canada’s international trade performance against a peer group of countries using key measures, such as export growth, trade penetration and share of exports to emerging markets.

To help make it happen, a “Going Global Steering Committee” should be set up to ensure focus is established, goals are clear, and everyone manages to this critical objective. To work, the Steering Committee needs to be heavy-hitting – a cross section of both private and senior public sector leaders who wield knowledge, access and influence to drive alignment of objectives and activities at the Atlantic Canada level.

We need a focus on making Atlantic Canadian small and medium-sized enterprises (SMEs) more export ready. Growth-oriented SMEs are the key to job growth and wealth creation in every region and country. To grow, SMEs need to trade, and they need the skills to compete in global markets.

To make it happen, the private sector, in partnership with governments across Atlantic Canada, and federal agencies and organizations, should develop “reverse trade missions”, focusing on the most promising global opportunities. A reverse trade mission is a new format where we bring global opportunities to us, rather than travelling to them. Reverse trade missions can engage literally thousands of our local firms, particularly SMEs, at much lower cost and higher impact, than anything we do today.

Unleashing Innovation and Productivity

We have seen that companies in Atlantic Canada badly lag in R&D spending and innovation performance. Our businesses must do more to invest in and drive innovation; it is key to our future competitiveness.

We need to increase significantly the collaboration and alignment between university and industry R&D. University research capacity should be more accessible to private companies, and the private sector must engage better with universities. Companies must invest more in relevant innovation, and universities must leverage such private

sector investments and build research capacity relevant to the challenges of business.

Private companies must play the leading role in innovation. They have to understand it, invest in it, and manage for it. There has to be more interaction with universities if we are to be more innovative.

To help make it happen, we should refine and expand the role of Springboard Atlantic as a key contact point and relationship-builder between industry and academia. As an initial action, Springboard should develop a prospect list of the top 300 companies in Atlantic Canada that could grow their businesses through increased innovation and productivity. Springboard will visit all 300 companies over the next 12 months to educate, engage and find real relevance for collaboration. Springboard can also work with industry associations to identify common research agendas and work with the members and universities to develop meaningful R&D.

What's more, regional chambers of commerce should commit to helping educate the private sector on the importance of R&D to becoming more productive. They can also better promote how universities and colleges need to be engaged in R&D. As well the chambers of commerce should establish a private sector–university council on innovation, with the intention of aligning business needs with university research capacity.

Consideration should be given to creating a mentor bank, using an online portal, as the relationship-building vehicle. Such a bank can help make matches between companies looking for advice, connections, or introductions with experienced business leaders eager to give back.

Atlantic Canadian innovators need an “accelerator” to support and mentor our emerging start-ups and companies looking to innovate. A great example to learn from is the Communitech Hub in Waterloo. Communitech is an innovation center that brings entrepreneurs, multi-national companies, and academic institutions together under one roof to build global companies based in the region. The Communitech Hub houses technology start-ups, seeds partnerships, provides angel and venture capital, and brings in expertise (marketing, tax, accounting, etc.) ---the “soft infrastructure” entrepreneurs need to succeed.

To make it happen, we should establish our own Atlantic Canada Accelerator and Hub, and this could build on the work of New Brunswick's Acelr8 and Halifax's Volta. This will require an investment from provinces, private enterprises and universities. To gauge its potential impact, in only three years, Communitech has supported the emergence of 863 new companies, generating 1,600 new start-up jobs and attracting \$350 million in equity investments.

We must enhance the ability of students, including international students, to be hired by local companies.

To make it happen, Atlantic Canada should leverage existing partnership programs to make highly qualified people available to industry. Once again, we want chambers of commerce to play a lead role in educating members on the value of these programs. And the private sector should demonstrate leadership by investing in internships under the federal Mitacs and NSERC programs within their own companies.

We must strengthen government's role in innovation through the power of strategic procurement. Government procurement has to be understood as a tool to foster innovative firms and products, not just as an administrative instrument.

To make it happen will require a sea change in government thinking – by accepting the premise that procurement decisions should not always be made based on the lowest cost but on value for money and innovation.

Access to Capital

The destination is simple – to increase the funding available to Atlantic companies – but the route is complex. We need new ways of looking at how the financing of business is done in Atlantic Canada. Tax changes could help but, more fundamentally, we need a variety of solutions, big and small.

To combat the serious underfunding of Atlantic firms, we must create a regional equity-investment tax credit.

To make it happen, we could change the federal tax code to create a regional ETC (Equity-investment Tax Credit). Why the federal code? Because it is often easier to get one government to move on such a policy initiative than four. And 4Front should encourage the two levels of government to move forward on such an initiative. Governments should also consider letting both individuals and corporate entities qualify for the Small Business Investment Tax Credit and examine the leverage impact versus costs of increasing the maximum income tax credit from \$75,000 to \$150,000 per year.

Banks should collaborate more with federal and provincial lending agencies. In some instances governments may be providing capital to companies who are good candidates for bank and other financing sources. This type of collaboration may lead to freeing up additional government financing in areas which companies need the most such as the early stage of market and business development.

We recommend a private-sector led organization to develop an innovation ecosystem of high-growth companies across the region.

To make it happen, we need an organization that creates stronger linkages to external networks such as Silicon Valley, angel investors, Canadian venture capital funds, universities, and other players in the system.

We need to push for more public listings.

While we have great examples of very successful private companies in Atlantic Canada, we must do more to ensure Atlantic Canadian companies have the ability to exploit one of the world's best markets for capital -- the Canadian public equity markets -- if they so choose. One problem is that growing Atlantic Canadian companies often tend not to consider the public markets in their strategy. More must be done to encourage businesses to consider public listings, and for some this could be through the junior capital program or other "entry level" options such as the exempt market.

We need our provincial governments to work together to make it easier for our firms to grow and prosper.

To make it happen, we would ask for the unification the four provinces' securities commissions, thus eliminating the four-tier fee structure for companies and brokers.

More ambitiously, we would urge the provinces to forge an accord to create a harmonized economic zone to allow free flow of people, goods and capital among the Atlantic Provinces. This could be modelled on the "New West Partnership" among the provinces of Alberta, British Columbia and Saskatchewan.

Government

We need a "New East Partnership" to drive change and redefine the economic goals and potential of the Atlantic region. That should start with agreement on a regional focus for exports, whereby all levels of government, as well as business and post-secondary institutions, will pick targets, aim and act. We need to be laser focused.

To make it happen, there must be alignment on how we "go global" across Atlantic Canada. This would be an obvious element of a New East Partnership across the region, involving the four governments and business, just as Western Canada is implementing.

We must challenge all areas of provincial governments to look for synergies, which would free up funds to reinvest in things like export development, innovation ecosystems or better public education systems. We need to deliver government services more productively and cost effectively, and that takes scale and collaboration. Just as we need an innovation and productivity lens in the private sector, we need one in the public sector as well.

To make it happen, such efforts in the public sector need a private sector encouraging and supporting change. The business community must become accountable for enabling some of these changes. We need to look for ways to both challenge and assist our governments to be more nimble and more action-oriented.

That could mean, for example, setting a target to reduce inconsistent regulations and to implement common regulations in specific areas. There also needs to be a real public dialogue on why we should have pan-Atlantic agreement on regulation similar to the bilateral pact that Nova Scotia and New Brunswick have already forged. It would be a positive and concrete step to help simplify the regulatory maze across the region.

To make it happen, these initiatives can be backed up by early actions and quick successes. We need to do a better job on data collection and analysis by combining our efforts and our dollars to create quality statistics and reduce duplication. For example, on procurement, we need to determine who is buying what, at what price, and to centralize the data in a cost effective way to benefit the region. It is only when we have good information that we can reap good policy, and build and sustain a change agenda that is robust and effective.

One approach to encourage a “New East Partnership” could be a council of business leaders to meet with the premiers on the region’s economic opportunities, challenges and priorities.

Time to Make a Personal Action Plan



The big ideas outlined above are appropriately ambitious, hopefully exciting, but they are not “blue-sky impossible” – far from it. They will flow from the collective product of thousands of personal actions taken by committed, passionate individuals who want Atlantic Canada to succeed in the changing and challenging world arena.

Here are 15 things you can do, as a business leader in our region, to help create a better Atlantic Canada:

1. Publicly advocate for change within your own companies and in your communities – private sector leadership can successfully engage and shift public opinion.
2. If you are an experienced business person ask yourself: “Who can I mentor?” Consider helping a start-up, or a young employee or new immigrant. If you are a young business person, ask a local entrepreneur or business leader to be a mentor to you.
3. Commit to hiring one full-time paid co-op or intern or apprentice for at least one term each year, each and every year. (Larger organizations should strive to exceed this minimum challenge)

4. Consider the possibility of education and health initiatives in your workplace. Can you work with a local institution to set up a targeted skills-training program or a health and fitness program, or even a low cost EMBA?
5. Look at the community around you. Can you implement a volunteer program to tutor, train or help people get ready for success in the workforce?
6. Volunteer to give a guest lecture at a university, community college or high school about your career, profession or company, and share your experiences.
7. Approach a university's industry liaison office to see how you can work with the institution's researchers or tap into its applied research projects to help your firm or sector.
8. Invite Springboard Atlantic into your company to learn about university research, and how you may benefit and link into this work.
9. Conduct a strategic competitiveness assessment of your company: Is it ready to compete globally? How productive and innovative are you compared to peers in other countries? What will it take?
10. Network with other companies and stakeholders in your industry sector to go global as a sector. Be an advocate for greater industry collaboration.
11. Attend a "reverse trade mission", or encourage one in your sector.
12. Take a language course, or encourage employees to do so, and certainly encourage your kids to do so.
13. Get behind the idea of a start-up ecosystem HUB that spans Atlantic Canada, and try to engage government, private institutions and universities to sponsor such an organization.
14. Consider whether you can be an angel investor to one of the region's start-ups.
15. If you are a young university or college graduate, consider turning your research into a new business. Whatever you do, be entrepreneurial.

There are many more things you can do if you are informed, and involved.

Holding Ourselves Accountable

Over the last quarter century, Atlantic Canada has demonstrated an impressive capacity to adapt. Going forward, we need to adapt and adjust again in response to even more and faster global changes. There is no reason that Atlantic Canada cannot diversify its trade, improve its innovation and productivity and be a world leader in talent.

This will take change, it will require leadership, and will necessitate public engagement. We need to make the question: "what will it take for Atlantic Canada to be more global, more innovative and more productive so that future generations of Atlantic Canadians

will have better opportunities and higher living standards than we can offer today” part of our ongoing public dialogue.

4Front can only be successful if it changes attitudes that, in turn, alter how we look at the world and what it will take for us to succeed in it. We can only claim success if we achieve measureable progress.

This takes metrics, both personal and corporate ones, as well as region-wide benchmarks. Here are a series of stretch goals to reach over the next five years.

1. Raise the proportion of economic immigration (0.21%) to at least the national share, (0.45%) as defined by the percentage of Canada’s population in the region
2. Double the percentage of Atlantic Canadian SMEs doing business globally
3. Increase business R&D and innovation spending to at least the national average helping to close the Atlantic Canadian productivity gap with the rest of Canada.
4. Double the number of high technology start-up companies in Atlantic Canada.
5. Triple the value of trade exports to emerging economies
6. Triple the number of interns, co-ops and apprentices in Atlantic Canadian business

But most importantly, to continue the 4Front momentum, it will require leadership from the business community of Atlantic Canada. To ensure the collaborative dialogue and the commitment to change initiated by 4Front continues, the Advisory Committee of the 4Front Atlantic conferences has agreed to become the foundational members of a new 4Front Council -- a pan-Atlantic group of engaged business leaders who have the collective goal of seeing Atlantic Canada prosper in this profoundly changing world. It will collaborate with business associations and chambers of commerce across the region to advocate for the sorts of concrete actions outlined in this paper to make change happen.

Thank you for your involvement and your commitment to this cause. This is about giving our children and grandchildren opportunities we could not even imagine a generation ago. Together, we can make a difference.

Let’s go to the forefront!

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