

NOW OR NEVER:

AN **URGENT** CALL TO

ACTION

FOR **NOVA SCOTIANS**



NOVA SCOTIA

SHAPING OUR NEW
ECONOMY TOGETHER

oneNS.ca

The Report of the Nova Scotia Commission on Building Our New Economy

February 2014



NOVA SCOTIA
SHAPING OUR NEW
ECONOMY TOGETHER

oneNS.ca



The Nova Scotia Commission on Building Our New Economy

COMMISSIONERS

Ray Ivany, Chair

President, Acadia University,
Wolfville

Irene d'Entremont

President, ITG Information
Management Inc., Yarmouth

Dan Christmas

Senior Advisor, Membertou,
Cape Breton

Susanna Fuller

Marine Conservation Coordinator,
Ecology Action Centre, Halifax

John Bragg

Founder and CEO,
Oxford Group of Companies,
Oxford

STAFF

Jo Ann Fewer

Executive Director

Mark Austin

Director of Research and
Communications

Carolyn Terry

Administrator

Acknowledgments

A project of this nature, which is intended to explore several complex questions, and to do so with a high degree of public consultation, is inherently challenging. The Nova Scotia Commission on Building Our New Economy was created as an independent body with a big mandate and a small staff. The volunteer commissioners therefore wish to express our deepest gratitude to Jo Ann Fewer who served as our Executive Director; Mark Austin, our Director of Research and Communications; and Carolyn Terry, our Administrative Assistant, for their creativity, commitment and tireless dedication to our work. Their professional talents contributed greatly to every aspect of this project and their cheerfulness in the face of unrelenting—and sometimes unrealistic—deadlines made the process more enjoyable for all.

The Commission toured the province in the winter/early spring and then again in the fall of 2013 as well as reaching out to Nova Scotians through the web and various social media platforms. We were supported in that work by the Public Engagement Support Unit of the Office of Policy and Priorities and we want to express our gratitude to Tyler Knowlton, Chief Strategist, and his team; Dan O'Rourke, Kelly Meagher and Rita Fraser. Commissioners also want to express a special thank you to Rick Williams—first, as our connecting point with the public service during the planning and start-up of the Commission and, more recently, for his advice and assistance in the final phases of our work.

The analytical base of our study required considerable research and, while we commissioned several pieces of work from think-tanks and private consultants, we also relied heavily on expertise within government departments. We want to thank the many dedicated public servants who contributed to the work of the Commission and make special mention of the following individuals who regularly responded to extensive requests for information and analysis: Thomas Storing, Director of Economics and Statistics Division, Department of Finance; Greg Landry, Director of Sector Development, and Shirley Hazen, Corporate Strategist, both in the Department of Economic and Rural Development and Tourism; and Jake Whalen, Corporate Strategist, Department of Communities, Culture and Heritage.

The Commission occasionally required writing, transcription and editorial support and we were ably supported by Nancy Watson from Communications Nova Scotia and Claire Moxon, Principal, Scribe Select. Early in our process the Commission assembled a team of economists to provide advice on exemplary economic development practices in other jurisdictions. We are most grateful for the advice of this group which was chaired by Fred Morley, Vice President at Greater Halifax Partnership, and included Dr. Lars Osberg, Dr. Brian VanBlarcom, Dr. Fred Wien, Dr. Catherine Leviten-Reid, and Dr. Phil Davison.

The Commissioners felt fortunate to have multi-party support throughout the course of this project. The Commission was announced by then-Premier Darrell Dexter in November, 2012 but, from the initial day of the launch, the aims and objectives were also supported by Mr. Stephen McNeil, Leader of the Liberal Party and Mr. Jamie Baillie, Leader of the Progressive Conservative Party. As a result of the October, 2013 election, the Liberal Party formed a majority government and we are both pleased and grateful that Premier McNeil has continued to be a champion of the Commission's work. We sincerely hope this report will be worthy of the support of our political leaders.

All of the Commissioners participated in this project while continuing to fulfill their obligations to their respective businesses and organizations. We therefore want to thank both our employers for enabling us to volunteer our time to this project as well as our colleagues who inevitably had to take on additional responsibilities as we spent time away on Commission deliberations or meetings.

Finally, we want to express our gratitude to the people of Nova Scotia for participating in the work of the Commission. We heard a wide variety of ideas and perspectives on ways to improve our economy. In virtually every instance those views were borne out of a shared love of Nova Scotia and a desire to see a better and more prosperous future for the next generation. As Commissioners, we could not have asked for a richer wellspring of inspiration to pursue our work with vigour and integrity.



Commissioners’ Foreword

In drafting this, its final report, the Commissioners had some difficulty in finding the right voice and tone with which to talk to Nova Scotians about the seriousness of the challenges we now face and how we might as a province begin to overcome them.

As we explored current economic and population trends we became more and more alarmed. The evidence is convincing that Nova Scotia hovers now on the brink of an extended period of decline. Two interdependent factors — an aging and shrinking population and very low rates of economic growth — mean that our economy today is barely able to support our current standards of living and public services, and will be much less so going forward unless we can reverse current trends.

But this is not new news. In 1991 the provincial government mandated Nova Scotia Voluntary Planning to consult the public and advise on a new economic strategy. In the resulting report, *Creating Our Own Future — A Nova Scotia Economic Strategy*, the working group assessed the major changes impacting the province, including globalization of trade, technological change, environmental issues, shrinking federal fiscal transfers and the heavy indebtedness of the provincial government. It drew the following conclusion:

Those changes and others are making Nova Scotia weaker and more dependent economically. If we are to halt the slide, we must change — and quickly — the way we finance our standard of living. We are at a crossroads. The world is changing. We must change too or face the consequences. The only certainty is that the status quo is not an option.

The report laid out a vision for “halting the slide”, calling for change leadership from business and communities, significant improvements in export trade, value-added production, and a commitment to environmental sustainability.

“Major socioeconomic changes are making Nova Scotia weaker and more dependent. If we are to halt the slide, we must change — and quickly — the way we finance our standard of living. We are at a crossroads. The world is changing. We must change too or face the consequences.

The only certainty is that

THE STATUS QUO IS NOT AN OPTION.”

Creating Our Own Future:

A NOVA SCOTIA ECONOMIC STRATEGY, 1991

The evidence gathered by our Commission over the past year would indicate that this wise advice was not fully understood and embraced and that the slide did not halt. Alarms continue to be sounded; almost every week there are additional voices in the media and other public forums expressing serious concerns about industry failures, slow business growth, faltering employment levels, the loss of young people and skilled workers to other provinces, and the shrinking viability of many rural communities. And there have been more reports and studies proposing new ideas and concerted action to turn the economy around ‘before it is too late’.

This brings to mind the image of the frog in the pan of water heating on the stove that purportedly does not react to the gradual increase in temperature until it is too late to jump. As economic conditions worsen, we all make adjustments: many people remain complacent because they live and work in situations that are less vulnerable than others, and many others leave the province to find better opportunities. But too many

people, and too many communities, are left to make do with less, to set aside their hopes and aspirations for a better life in Nova Scotia. And the more time goes by, the more our past adjustments and compromises, and our growing discouragement and loss of confidence, impede new efforts to “halt the slide”.

And hence the difficulty for the Commission in framing the core messages in this report. It does not seem that dire warnings and calls for immediate and specific changes in policies and practices have been effective in drawing enough attention from enough people to make a difference. While governments have created new agencies, initiated new programs and tried different approaches over the years, neither public attitudes nor the wider economy have responded to these signals in ways that both matched the nature and scale of the challenge and energized the changes that are needed.

This realization led Commissioners to consider other aspects of our situation, and in this regard our extensive public engagement activities over the past year were extremely helpful. They made us aware of the importance of attitudes and values in this situation, and exposed significant fault lines in the public discourse on economic development.

We do not, as a province, share broad agreement on the need for economic growth, and we have divergent and often conflicting ideas about how best to achieve it. There is division between rural and urban perspectives, and a lack of public confidence in private sector leadership of the economy. While virtually everyone sees the need for population growth and greater wealth generation, most of the practical strategies to achieve these outcomes are controversial. This lack of solidarity as a province undermines constructive dialogue about our future and makes us a more difficult and risk averse place to do business and build communities. It seems apparent that if Nova Scotia is to find ways to meet its current challenges, there will need to be change on

the *cultural* level as much as in economic structures and government policies and programs.

The Commission sees a profound need for Nova Scotians to come together around a shared vision for real change in the province, one in which the different regions, communities and economic sectors can all see a better future, and are willing to pursue it through dialogue, cooperation and collaboration rather than isolation, competition and conflict.

With this perspective, the Commission has shaped this report around three core messages:

1. Yes, there is a crisis, and it does threaten the basic economic and demographic viability of our province, most dramatically in our rural regions;
2. We are not doomed to permanent have-not status: in an improving macroeconomic climate, driven by expanding global trade, Nova Scotia has the assets, opportunities, institutional capacities and human capital to turn around its current outlook and build a much more positive future;
3. While the continuing retreat of the federal government from a regional development role and fiscal weakness at the provincial level are serious constraints, the single most significant impediment to change and renewal is the lack of a shared vision and commitment to economic growth and renewal across our province and among our key institutions and stakeholder communities.

With these propositions in mind, the policy advice and strategic directions put forward in this report are directed not only to the government of Nova Scotia, but to leaders and decision-makers in all our key sectors — business and labour, municipal provincial and federal governments and First Nations, strategic institutions (universities, the community college, school boards, etc), voluntary sector organizations and communities. It is our conviction that



the active engagement of all of these stakeholders is required if we are to achieve meaningful economic and demographic improvements.

Building on this foundation, the report proposes significant changes in direction on three levels.

Future Vision

With the participation, ideas and commitments of all of the leadership levels listed above, this province needs to undertake a *projet national*, a concerted collective effort, to transform ourselves into a more unified, progressive, creative, and change-oriented society.

Small states and regions around the globe have taken this approach with great success. They faced up to the need to adjust to a changing world and went about it with passion, confidence, and discipline. They identified their assets, strengths and opportunities, respected their culture and history, and built new economies to generate the most value from all these resources.

Nova Scotia has the assets and opportunities, and the global economy is reshaping to our advantage. As a small province with sophisticated institutional capacities we can come together within a shared project of mutual advancement.

But most importantly, such a province-building project is not dependent on federal government policies or the state of the world economy. It is about us — our courage, our imagination and our determination to do better. *We can do it ourselves.*

Goals for Growth and Renewal

To get started on the project of transforming our province, the Commission proposes a series of ‘stretch goals’ as concrete, measurable outcomes that leadership groups can focus on and use to construct their own roadmaps. We do not present these goals as absolute targets and we expect that they will be further refined through consultation, research and formal decision-making. The critical point, however, is that they convey the need for a quantum leap rather

than tentative half steps and continued muddling through. Such profound change will, by its nature, require participation from all sectors, which is why it is appropriate to describe it as a *projet national*.

A critical characteristic of these goals is that their achievement will mean that a significant transformation has in fact been accomplished. The goals for population growth, when realized, will mean that Nova Scotia is back on track with regard to demographic and community stability. The proposed goals for business and trade expansion, research and development, labour force development and revitalization of traditional rural industries, once attained, will mean that the Nova Scotia economy has turned around and is primed for long-term and sustainable growth. And achievement of the goals for improved governance and fiscal strength will mean that our government structures at all levels are more efficient, productive and financially robust, and are all working within a common plan to build the new Nova Scotia economy.

Game Changer Strategies

By their very nature the transformative goals proposed in this report cannot be achieved through ‘business as usual’ across the public, private and community sectors. And they are not things that depend on massive increases in government expenditure: even if such new investment was possible in the foreseeable future (which the Commission doubts), there is little evidence from past experience that, in and of itself, this would dramatically improve our economic performance.

Instead, the successful pursuit of the proposed goals will require much more effective and efficient deployment of current resources combined with changes in attitudes, policies, and practices across all business, government, and community sectors. The Commission identified 12 “game changers” for transformative change and renewal. There will be other change areas to be explored, but these provide critical starting points for the actions Nova Scotians need to undertake.

The first area identified is political leadership. The transformative goals for Nova Scotia are set out on a 10-year planning horizon. It is difficult to imagine how these longer-term initiatives can be successfully implemented across two or more elections and possible changes in government and party leaders if we maintain ‘politics as usual’. The Commission believes that the leaders of the political parties now in the Legislature need to serve as role models for all Nova Scotians by putting aside partisan interests to build such a long-term strategy and, once it is agreed upon, working together to ensure its effective implementation over several years.

Other game changers address the need for a province-wide, multi-sector commitment to growing both the economy and the population. This implies a much stronger leadership role for the private sector, along with social enterprises and community economic development groups, and joint efforts to build a new culture of entrepreneurship among our youth. Community leaders must also play a more assertive role in making Nova Scotia a welcoming place for interprovincial migrants and new Canadians and reducing the attitudinal barriers facing First Nations, African Nova Scotians and other disadvantaged groups. The growth imperative also requires a more productive dialogue on balancing growth and environmental objectives, linking green economy perspectives to our plans for creating jobs and wealth creation. The research and development capacities of our post-secondary education system will need to be harnessed more effectively to drive innovation and business start-ups in leading edge sectors.

A third critical area is breaking down misunderstanding about the interdependence of our rural and urban regions and economies. The growth of our urban centres is generating new market and investment opportunities for rural industries and communities. At the same time, improving productivity and competitiveness in our foundational rural industries – tourism, agriculture, fisheries, forestry, mining and manufacturing – is essential if we are to build a stronger trade economy for the province as a whole. Embracing freer trade, and expanding the number of businesses that export to both traditional and emerging markets are additional priorities for changing the economic outlook for Nova Scotia.

NOVA SCOTIA

has the **ASSETS** *and* **OPPORTUNITIES**

IT IS ABOUT US

our **COURAGE**, *our* **IMAGINATION**
and our **DETERMINATION** *to do* **BETTER**

MOST IMPORTANTLY, WE CAN DO IT

O U R S E L V E S

With regard to government’s economic development policies and programs, the game changer here is not about new, different and bigger programs, but greater integration and better coordination to improve transparency for the public and accessibility for business. The report places priority on support for growth oriented enterprises, expanding exports and diversifying markets for traditional and new export products. More fundamentally, government needs to communicate the economic growth and business leadership imperatives to the public more effectively. One option for this purpose is to appoint a Minister of Business to provide a champion at the cabinet table, an effective contact point for the private sector and a strong voice in the wider community. Consideration might be given to having the Premier take on such a role to convey the government’s high-level commitment to business development.



And finally, it is difficult to imagine the achievement of a lasting turnaround in the Nova Scotia economy without a stronger partnership with the federal government and better alignment of federal and provincial policy objectives in critical areas including labour force development, immigration, fisheries and oceans management, energy development, and fiscal stability in the health and human services field.

The report concludes by conveying the Commission's strong support for a number of key initiatives now underway in the province that are already contributing to the kinds of change and development we feel is necessary. The province is not starting from scratch. There is strong business and labour leadership in many sectors, and improving collaboration between the private sector, provincial and local governments, post-secondary education institutions, First Nations, communities and voluntary sectors organizations.

However, while those strong foundations are already in place or are being constructed today, there are too many leaders and decision-makers in key locations who have not yet signaled their understanding of the need for fundamental change. They do not yet share a vision of a finished edifice or an understanding of how they can contribute to its construction.

That is the challenge we call upon Nova Scotians to take up. Decide where we want to be 10 years from now. Set our goals. And start work on all the things we need to do to get there.

WE CAN DO IT.

The Nova Scotia Commission on Building Our New Economy

Ray Ivany, Chair

Irene d'Entremont

Dan Christmas

Susanna Fuller

John Bragg

The Report of the Nova Scotia Commission on Building Our New Economy

February 2014

SECTION I

Now or Never: An Urgent Call to Action for Nova Scotians

Acknowledgments	iii
Commissioners' Foreword	iv
Table of Contents	ix
A. Introduction.....	1
B. Findings from Public Engagement.....	5
C. State of the Province and How We Got Here.....	11
D. Assets and Opportunities	35
E. New Goals for Nova Scotia.....	45
F. Game Changers.....	51
G. Exemplary Initiatives.....	65
H. Conclusion.....	69

SECTION II

AVAILABLE AT WWW.ONENS.CA

Research and Engagement Documentation

Table of Contents.....	73
A. Introduction.....	75
B. Snapshots of Our Economy.....	76
C. Research Findings.....	94
D. Public Engagement.....	212





Introduction

Mandate

The Commission on Building Our New Economy began its work in November of 2012 with the following mandate from the Government of Nova Scotia:

- To engage and mobilize communities, local governments, and business and labour leaders across the province in public discussion and debate on the economic development opportunities and challenges facing the province;
- To raise awareness and deepen public understanding of the nature and scale of these opportunities and challenges;
- To promote practical understandings of how growth in one or more regions of the province generates opportunities for others;
- To enhance understanding of the unique circumstances and opportunities for the different regions, economic sectors and cultural communities across the province;
- To develop advice to government, business and community leaders on new directions to realize economic growth across economic sectors in all regions of the province.

To these ends the Commission engaged Nova Scotians extensively in 2013, travelling throughout the province to hear from individual citizens, stakeholder groups, community development organizations, local governments, and business and labour leaders.

IN ALL:

- 35 public meetings were held across the province
- Commissioners and staff made 13 formal public presentations
- Presentations were made at 17 days of meetings over the course of 2013 with business groups and municipal, provincial, federal, and First Nations government leaders;
- 1,730 citizens joined meetings and contributed to group discussions;
- The oneNS.ca website attracted 5,475 visits;
- 102 written submissions were received;
- 402 people participated in a telephone survey and 45 in an on-line survey;
- The ONE Facebook page recorded 16,660 'hits';
- 516 people follow ONE on Twitter;
- Our November virtual town hall had a studio audience of 62 people and 1,089 LiveStream log-ins, and more than 200 comments were made in the real-time chat room.

It is hoped that these many activities, and the Commission's Interim Report published in May 2013 after the first round of community meetings, have already helped generate a deeper and more widely shared understanding of the challenges and opportunities facing the province.

The Commission is deeply grateful to the many groups and individuals who participated in and contributed so much to its work. This input addressed every aspect of our economic circumstances, but also raised wider issues of poverty, health and social well being, public education, community development, the arts, cultural expression, environmental stewardship and human rights.

In preparing this, its final report, the Commission has of necessity returned to its specific mandate as set out above. The main focus must be the economy of the province, the foundation upon which so many other aspects of our lives together are built up and sustained. It is not practical within the timeframe and resources of the Commission to develop sound analyses and well thought-out policy advice in all of the areas of concern raised by participants in the process. The Commission wishes to affirm, however, that these many perspectives have been heard and considered, and that their underlying ideas and aspirations are hopefully reflected in the policy and strategic advice offered in this report.

Defining Our Challenges

As it set out in late 2012 the Commission anticipated that its work would follow the well worn path of assembling up-to-date analyses on the state of the Nova Scotia economy, consulting citizens and stakeholder groups on policy options, and then developing specific policy recommendations aimed primarily at government. However the major findings from the research and public engagement work, presented in detail in this report, have led the Commission to consider a somewhat different approach than was anticipated at the outset. These findings can be briefly summarized as follows:

After a decade or more of slow economic growth, and with an aging and shrinking population, Nova Scotia is on the verge of a significant and prolonged decline in our standard of living, in the quality of our public services and amenities, and in our population base, most seriously in the rural regions of the province where more than two-fifths of our population now make their livings.

The Commission's CORE MESSAGE is this:
*Nova Scotia is today in the early stages of what may be a **PROLONGED PERIOD** of **ACCELERATING POPULATION LOSS** and **ECONOMIC DECLINE.***

*These negative prospects are **NOT**, however, **INEVITABLE OR IRREVERSIBLE.***

Over recent decades the underlying weaknesses in the economy were offset by a progressive expansion in the public sector, but we cannot assume that this will continue in the foreseeable future. In the absence of strong private sector growth the provincial government does not have the revenue base to keep generating new employment, investment and aggregate spending, and the federal government has been retreating from this role in our region.

However, there is little evidence to suggest that inadequate government spending and poor economic development programs are the root causes of Nova Scotia's weak economic growth. Therefore we cannot confidently conclude that more government investment in economic development and some different mix of programs would, in and of themselves, solve the problem. There are no quick fixes or magic solutions. Our challenges are different and much deeper.

The need for a major change in approach is all the more compelling in light of the extraordinary opportunities and resources that we, as a province, have to work with: untapped potential for energy production; expanding global markets for our agricultural, forestry, seafood and manufacturing exports; the \$25 billion ships contract; leading edge firms in IT, bio-tech, healthcare, aerospace, defense, and creative enterprise; a strong college and university system; an educated workforce; cities and towns that offer attractive lifestyles for immigrants; and more. The key question is whether we can steer the development of these assets to put in place new foundations for lasting prosperity and revitalized communities in all regions of the province. Or whether we will miss that opportunity again as has happened in Nova Scotia's past.

To alter course towards a better economic future for Nova Scotia will require, first and foremost, basic changes in our shared attitudes and understandings. Without a stronger consensus across the population and among business, government and community leaders on the gravity of our circumstances and the necessity for economic renewal, there is little prospect of real improvement in the outlook.

Given our serious demographic challenges and weak performance across the economy, we need to focus as a province on three critical areas of change:

- We need business and community leadership in the pursuit of economic growth: these sectors need to pull the economy forward rather than it being pushed by government policies and investments.
- We need to achieve significantly higher rates of attraction and retention of both inter-provincial and international immigrants to grow the population overall, increase the number of entrepreneurs, and renew the labour force.
- We need greatly improved performance in the areas productivity, trade, innovation and value-added production. These are the essential drivers for renewal and expansion across all industry sectors and business types, whether small, medium or large. They are particularly important in the traditional rural industries — fisheries, agriculture, forestry and tourism — where too many enterprises have not kept pace with their competitive environments.

Influenced in its thinking by these general findings and the consequent need for major changes in attitudes and direction, the Commission has opted to direct its most important messages to the broad Nova Scotia public and to leaders in all sectors — business, labour, key institutions and communities — as well as government. This is because it will not be possible to make the changes that are needed without far-reaching buy-in and support from all these sectors.

And while detail is provided on specific economic development strategies and practices, the main messages have to do with issues of attitude, shared understanding, and capacities for leadership, collaboration and concerted action among different groups, across different economic sectors and regions, with differing interests. These are the critical factors, the Commission concludes, that will shape the future of our much-loved province.

Stated as sharply and succinctly as possible, the Commission's core message is this: Nova Scotia is today in the early stages of what may be a prolonged period of accelerating population loss and economic decline. These negative prospects are not, however, inevitable or irreversible.

The Commission believes that Nova Scotia has the assets and opportunities with which to build a stronger, more dynamic economy to support higher living standards and population renewal. But governments cannot lead where the people do not want to go, and cannot make businesses grow and innovate if their owners, managers and employees are not committed to these outcomes.

If, as the Commission has come to believe, the critical first step is a shift in attitudes and a greater willingness and capacity on the part of business, key institutions and communities throughout Nova Scotia to join together in the pursuit of shared goals to benefit all, this should be seen as very good news. Such a collective effort does not require reliance on outside investors, shifts in federal government policies, or improved macro-economic conditions — *we can do it ourselves*.





Findings from Public Engagement

The Nova Scotia Commission on Building Our New Economy was tasked with a somewhat broader mandate than many economic panels and studies. Public engagement through ‘world cafe’ style community sessions, stakeholder consultations, and social media interactions, was central to our pursuit of ideas from Nova Scotians for a better economy. While the Commission’s mandate culminates with this final report, it is imperative, and the advice of the Commissioners, that evidence-based authentic public engagement also be a central part of building our new economy over the coming years.

The Commission’s Interim Report (available online at ONENS.CA) is a reflection of what was heard in the initial six months of public engagement. It also set out a research agenda to inform further conversations in communities. From these activities, nine broad themes emerged:

ATTITUDE & IDENTITY – Throughout our discussions with Nova Scotians, we heard a frequent message that our province and our people need a ‘new attitude’ and a greater sense of being citizens of Nova Scotia and not just of their local area. There is an abundance of community spirit, but some negativity as well, stigmatizing success and resisting change. There is a clear need for Nova Scotians to come together and consider not only who gets what from our collective pie, but how we can make it bigger for all to share.

POPULATION AND DEMOGRAPHICS – ‘Our greatest asset is our people’ was a common sentiment at every meeting. People were optimistic for many reasons including our well-educated population, our successful entrepreneurs and the skilled workforce. Youth leaving the community or the province for job opportunities was a recurring source of concern. Almost every meeting identified immigration and bringing Nova Scotians home as keys to increasing population and prosperity. Concern was expressed about those who have not completed high school and about a troubling decline in literacy and numeracy levels. It was also noted that Mi’kmaq communities are enjoying more positive population growth trends than the rest of the province.

ENTREPRENEURSHIP & BUSINESS GROWTH – A strong entrepreneurial spirit was evident among those engaging with the Commission, but it would be optimistic to see it as a dominant trait of our provincial culture. We heard that our province needs to do more to help businesses grow, including more support for training and business retention and expansion, and greater emphasis on entrepreneurship in schools. Business development would also be helped by reducing red tape and making it easier for business owners to navigate their way through regulations and programs. ACOA and CBDCs were viewed positively for accessibility and impacts, while provincial departments and agencies, with the exception of Innovacorp, were consistently criticized for difficulty of access, slow and sometimes politicized decision-making, and lack of rural presence. Many participants called for a one-stop shop or merged agency model for the province.

INFRASTRUCTURE – Nova Scotia’s electric power system, communications networks, transportation and other public services, were often identified by participants as needing improvements. Concerns vary in different areas of the province reflecting the limitations of the power grid, uneven highway access, lack of passenger air travel and issues related to ferry services. We also heard that broadband and cell phone services are not available to all Nova Scotians.

SUSTAINABILITY & GROWTH – As anticipated, many participants voiced concern about environmental protection, as well as the overall sustainability of their communities. There were many viewpoints expressed on the topic of wealth generation, with frequent assertions of the principle that economic development must be socially, culturally, economically and environmentally sustainable. Success and growth can be measured in many ways beyond simply looking at GDP or other conventional indicators, and more consideration needs to be given to how communities envision their own success.

Compelling presentations were made to the Commission as well on the potential contributions of social enterprise and social innovation to building a new economy,



particularly with regard to ‘green economy’ as a source of employment, value added production, and enhancement of community strength and resilience.

STRENGTHS & OPPORTUNITIES – A consistent message heard in our community sessions was that, while there are lots of strengths, and many untapped opportunities, we need to be better as a province at finding them and realizing their potential. Our province has abundant beauty, strong communities, thriving creative spirit, and an excellent education system overall. Our natural resources could generate more added-value development – fisheries, forestry, mining and renewable energy, to name a few. There is a need to build on our strengths and seize opportunities as they arise.

GOVERNANCE ISSUES – The need for improved governance was a message heard from all corners of the province, linked with calls for breaking down real or perceived barriers to prosperity. There were suggestions for innovations and solutions to address the challenges, and frequent complaints about multiple levels of government, each with different strategies and programs, and insufficient commitment to aligning policies.

DIVISIVE ISSUES – There were some controversial issues where consensus will be difficult to achieve. These included open-pen fish aquaculture, school closings, ferry services, energy development, Maritime union, and taxation rates. While these issues can be polarizing, we also heard calls for improved understanding and efforts to resolve our differences through constructive dialogue and engagement.

Following the release of the Commission’s Interim Report, reflecting the findings from the first round of public engagement activities in early 2013, the Commission pursued the research agenda set out in that report. Written submissions continued to be received, and meetings took place with various citizen and sector groups as well as with policy-makers.

The Commission engaged the services of Corporate Research Associates to conduct a random sample survey of 402 Nova Scotians to assess attitudes and perceptions on economic development issues (see Section II, downloadable from ONENS.CA). Findings from the survey include:

- Satisfaction with quality of life in Nova Scotia is moderately high, but the level of optimism about the future is much lower;
- There is widespread recognition among Nova Scotians that economic growth is crucial to the province’s ability to maintain and improve essential public services;
- There is a relatively high level of recognition of the importance of increasing entrepreneurship in the province;
- There is general consensus on the importance of using Nova Scotia’s natural resources to generate greater wealth accompanied by significant concerns about environmental protection;
- There is a moderately high level of recognition that the population of Nova Scotia needs to increase as part of an improved economy, but slightly more than half of respondents do not see immigration as the preferred route to population growth.

In October of 2013, the Commission held a second round of sixteen community meetings to discuss these and other research findings and to solicit policy advice. Each session began with an interactive presentation of current economic and demographic indicators followed by discussion focused on three questions:

1. What are the factors that will cause people and businesses to choose Nova Scotia as their place?
2. How can we spark more entrepreneurial drive and innovation in Nova Scotia?
3. How can Nova Scotians find shared belief, desire, and agreement to shape our new economy together?

*There is **A CLEAR NEED** for Nova Scotians to **COME TOGETHER** and consider not only who gets what from our collective pie, but how we can make it **BIGGER** for **ALL TO SHARE**.*

On the first question, the key factors were health, education, cultural and recreational services, a healthy natural environment and a strong sense of community. There were also concerns about affordability, employment opportunities and competitive wages and benefits.

Regarding entrepreneurship and innovation, participants emphasized the need to promote these throughout each phase of formal education, with programs like Junior Achievement in every school, and through workplace mentoring relationships and apprenticeship. Participants proposed new centres for business incubation and innovation throughout the province linked to post-secondary institutions. There was also support for an expanded role for social enterprises including co-operatives, non-profit businesses and community interest companies.

To build a more positive business environment participants called for less cumbersome regulations, more accessible and streamlined government services to business, and tax changes to reduce impediments to business development. There was mention of service hubs to foster networking and collaboration among entrepreneurs and expanded programming to help local businesses connect to global market opportunities.

A common theme in many sessions was the need to manage resources sustainably. Recognizing that the traditional fishing, forestry, and agriculture sectors will continue to be vital to our economy, many participants recommended more rigorous resource conservation and greater diversity in products and markets. The green economy and the local foods movement were described as offering important opportunities for business development to take advantage of the growing demand for sustainable products and services.

There was broad agreement in these sessions that international and inter-provincial immigration is needed to give Nova Scotia an economic boost through new business start-ups, expanded investment, and new ways of thinking, and majority support for policies to increase the attraction and retention of immigrants, especially in rural communities. Tourism and post-secondary institutions are seen as important entry points for immigrants and these impacts should be expanded.

Participants suggested that if local communities received more direct material benefits from new economic activity it would be much easier to foster buy-in. There was also frequent reference to the need for greater unity of purpose, and concerted efforts throughout communities, businesses, and the province as a whole. This shared vision should perhaps be expressed through a statement of shared values and goals constituting a new social contract for economic development.

There was broad agreement that the Commission's work should serve as a catalyst for on-going engagement and action, not just as advice to government.

The Commission wrapped up each community gathering with a call for examples of Nova Scotia's excellence, assets, enterprise, and achievement. These are presented in Section II (available online at onens.ca).



Fault Lines

Along with shared outlooks and aspirations there were also areas of disagreement or tension that emerged from the research and public engagement activities carried out by the Commission, and some prevalent views on Nova Scotia's economic circumstances are less well supported by the evidence than others.

For example, a number of participants seemed quite committed to the politics of scarcity expressed through parochial competition over the shares of a shrinking pie rather than increased collaboration and concerted effort to grow the pie.

And very importantly, some commentators described the prevalence of negative attitudes in their communities towards immigrants and visible minorities generally, while the former are often stigmatized as taking local jobs.

*This speaks to an attitudinal environment that subtly discourages **ENTREPRENEURSHIP** and initiative at a time when it is badly needed to **REVITALIZE LOCAL ECONOMIES ...** These and other attitudes constitute significant barriers to bringing people together around **A SHARED VISION for CHANGE and RENEWAL.***

Almost all participants called for wealth creation strategies that respect community values and protect our unique cultural attributes and the natural environment. But beyond that generic sentiment, points of solid consensus on economic renewal are much harder to identify. There are varying levels of tolerance for the risks associated with expansion of rural industries, divergent views on the capacities of government to manage economic development, and different ideas about the types of business models – big business vs. small, local vs. foreign owned, etc. — that might offer the best economic outcomes.



One clear fault line in these discussions centred on public versus private sector roles in economic development. A number of participants conveyed a clear preference for expanded public services and amenities — schools, universities, parklands, and major new highways — as sources of jobs and incomes in their communities. Conversely, other stakeholders wanted to see less government and a more “business friendly” regulatory and tax environment, but had less to say about how the wider community would benefit from and therefore buy into this approach.

A related undercurrent was the apparent reluctance of some participants to recognize and celebrate the contribution and value of private sector leadership in the economy in general. This attitude sometimes linked to a bias in favour of smaller, locally owned businesses with limited growth potential over more dynamic, growth-oriented enterprises that may or may not be locally owned. This speaks to an attitudinal environment that subtly discourages entrepreneurship and initiative at a time when it is badly needed to revitalize local economies.

A third area of contested ideas had to do with the environment and use of natural resources. Traditionally, rural economies have been built on resource extraction and the capacities of the land and sea to support agriculture, fisheries, mining and forestry production. Some participants emphasized the need to renew, modernize and in some cases expand these traditional sectors, while others described them as “sunset industries” or felt that there was little room to develop them without unacceptable damage to eco-systems.



Others asserted that maintaining a pristine environment may be more economically beneficial over the longer term than pursuing growth in the mining, forestry or energy fields. These participants often expressed doubts that business operators will employ responsible practices and that governments will regulate resource exploitation effectively.

Perhaps the most serious area where participating citizens seemed almost to occupy different worlds had to do with urban/rural differences, attitudes towards Halifax and the views of Haligonians regarding the rest of the province. Urban voices sometimes seem to be insensitive with regard to the economic challenges faced by rural communities. Blessed with many large public sector and private service industry employers, some people in Halifax may perhaps find it easy and even pleasant to imagine a Nova Scotia without pulp and paper and lumber mills, mines and quarries, fish plants and aquaculture operations. And industry leaders who work hard to implement sustainable harvesting practices in forestry and fisheries are not helped by lingering stereotypes of rural indifference toward environmental issues. There would appear to be a lack of understanding among some city dwellers of the contributions of the rural economy, and particularly of the dominance of rural industries in the province's export sector.

By the same token, rural spokespersons are quite capable of exaggerating the extent to which "Halifax gets everything", and often overlook the benefits that spread to rural regions from the dynamism of the region's largest city. Parochial attitudes are still apparent in many areas of the province and inhibit serious consideration of important reforms such as restructuring of local government and the formation of the new Regional Enterprise Networks (RENs).

These and other attitudes constitute significant barriers to bringing people together around a shared vision for change and renewal.





The State of the Province, and How We Got Here

DRAWING LESSONS FROM NOVA SCOTIA'S HISTORY

The central concern of this report, and of the Commission's work, is the interdependence of population and economy particularly as this applies to the rural regions of the province. It is therefore useful at the outset to examine how this relationship has evolved over time in Nova Scotia.

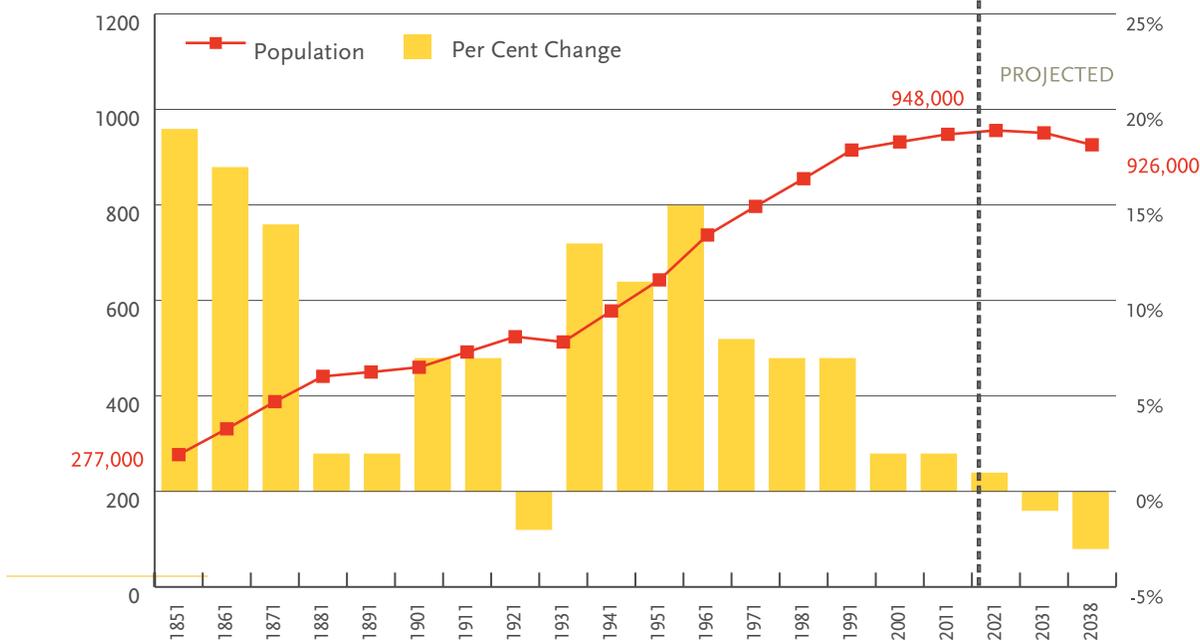
Chart I depicts the province's population growth since 1851, with the projected trend to 2038. The red line describes Nova Scotia's total population at the end of each decade, beginning with 277,000 people in 1851 and reaching 948,000 in 2011, with a possible decline to 926,000 by 2038. The blue vertical bars show the percentage change over each decade. The sizeable population increases in the mid to late 19th century were the result of large-scale immigration and a relatively robust economy, while similar trends from the 1940s through the 80s reflect the impacts of World War II, post-war immigration and the baby boom. Equally pronounced are the periods of slow or no growth indicative

of a much weaker economy and high levels of out-migration in the first half of the 20th century, and similar trends combined with a declining birth rate since the 1980s.

Our current population challenge has two dimensions: a decline in the absolute number of people in the province but also the changing age group make-up. Nova Scotia now has the oldest age profile of any Canadian province except Newfoundland and Labrador, with more people retiring out of the labour force than young people entering. In 2011 the median age¹ for our province was 43.6 compared to 40.6 for Canada and 39.9 for Halifax Regional Municipality. Of 54 municipalities in the province, only 8 had median ages that were lower than the provincial median age and 12 rural municipalities had median ages over 50. We are currently projected to have 100,000 fewer working age people by 2036 than we had in 2010, a nearly 20% decline in the available labour pool.

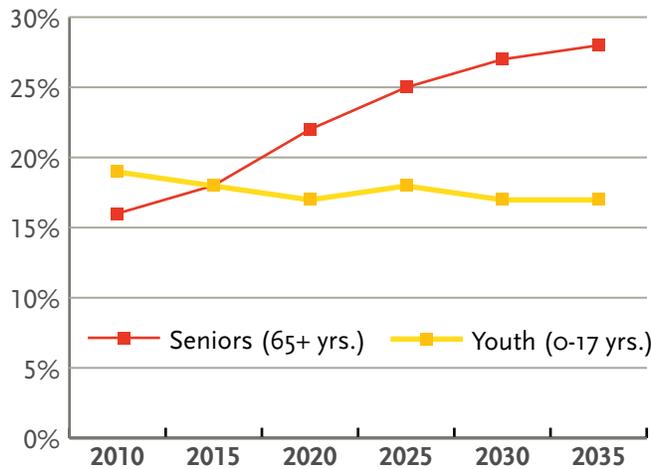
¹ The age number where 50% of the people were younger and 50% older.

Chart I: Population Change, Nova Scotia
1851 to 2011 and projected to 2038



Source: Nova Scotia Department of Finance Population Estimates

Chart 2: Changing Age Profile — Nova Scotia
2010 to 2035



Projected Population Change 2009 to 2034
by Region and Age Group

	< 20 Yrs	20—64 Yrs	> 64 Yrs	Total Population
Province	-30%	-21%	+41%	-4%
Cape Breton	-29%	-26%	+44%	-13%
Northern	-26%	-20%	+50%	-10%
Valley	-4%	-2%	+42%	-6%
Southwest	-37%	-9%	+40%	-6%
HRM	-2%	-13%	+49%	+1%

Source: Nova Scotia Department of Finance

These facts convey a very simple message: we cannot take the continued stability of Nova Scotia’s population base for granted, with rural communities facing the most serious challenges. And to the extent that the economy relies on people to sustain it, we cannot take for granted our current levels of employment and our standards of public services and amenities as population growth falters.

Nova Scotia’s economic and social history of course predates its entrance into Canadian Confederation. Aboriginal people have pursued livelihoods and trade in this region since long before European settlement. Various settlers, including the s, whose innovations include the building of dykes to provide nutrient-rich clear farmland, founded many of our communities and patterns of commerce. But for the purposes of this consideration of the development of the economy and population of modern Nova Scotia, we will begin with the immediate pre-confederation period. The shifting trends since the 1850s reflect fairly distinct periods in the province’s economic development and say much about the future outlook.

THE PRE-CONFEDERATION GLOBAL MERCANTILE ECONOMY (up to 1879)

Riding a wave of immigration from the United States and the British Isles, entrepreneurs in numerous Nova Scotia communities took advantage of British trade preferences and the Reciprocity agreement with the United States to build up a vital mercantile trade supported by a world leading shipbuilding industry. A unique characteristic of this period was the accumulation of substantial pools of capital in local communities around the province.

DEVELOPMENT OF MANUFACTURING AND HEAVY INDUSTRY (1879 — 1920)

After Confederation in 1867, and with tariff protection provided by the National Policy in 1879, entrepreneurs throughout Nova Scotia quickly shifted their investments to the manufacture of textiles, confectioneries, rope, furniture, refined sugar and many other products to feed a growing Canadian market. The provincial population was concentrated in larger towns with multiple factories (e.g., Truro, Amherst, Windsor,

*We cannot take the continued stability of Nova Scotia’s population base for granted, with **RURAL COMMUNITIES** facing **THE MOST SERIOUS CHALLENGES.***

Yarmouth) and in major industrial hubs in New Glasgow, Sydney and Halifax, with the latter emerging as the financial centre for the region.

By the end of this period, however, factories, iron foundries and steel plants throughout Nova Scotia were being battered by higher freight rates and ever-greater competition from industrial conglomerates in Central Canada and the United States. As the industrial economy faltered the major financial institutions transferred significant pools of capital to Montreal and Toronto, depriving local businesses of the resources needed to develop new products and pursue more accessible markets. The Maritime dream of industrial dominance in eastern North America was shattered by persistent disadvantages of capital scarcity and the high costs of accessing continental markets.

THE EMERGING RURAL ECONOMY (1920 — 1950)

The 1920s saw a net loss of population stemming from the near collapse of manufacturing in the province while boom conditions elsewhere in Canada and the U.S. drew thousands of workers away. Nova Scotia became a much more rural society sustained by small family enterprises engaged in seasonal farming, fishing and forestry work. Heavy industry – mainly coal mining and iron and steel production – continued in Cumberland, Pictou and Cape Breton counties, and new pulp and paper plants were built, but these were no longer major growth drivers for the province overall. Halifax remained an important government centre and a busy port but no longer a strong regional leader in industry and finance. Population growth was relatively strong in the 1930s as worker out-migration stalled during the Great Depression, and the 1940s saw more positive economic and population trends due to the impacts of World War II.

But overall it was during this 1920 to 1950 period that Nova Scotia found itself mired in the status of a “have not” province, predominantly rural, with an economy centred on the export of raw and semi-processed commodities mainly to North American markets. This period also saw the emergence of important social movements and concerted political action to improve the province’s prospects within the wider Canadian economy. These included the Antigonish Movement that brought

co-ops and credit unions to rural communities, the development of labour unions in the industrial centres, and aggressive regional advocacy by business leaders through the Maritime Rights Movement.

THE GOVERNMENT-LED ECONOMY (1950 — 1995)

The major influences on economic and population trends after 1950 were the baby boom and the emergence of the modern welfare state in Canada. A new unemployment insurance system helped seasonal workers escape deep poverty and the federal government’s Equalization program provided the province with the revenues to modernize health, education and social services. The 1960s saw the introduction of the Canada Pension Plan, the Canada Assistance Program and the Canada Health Act (“Medicare”), all of which helped provide Nova Scotians with access to a Canadian standard of living.

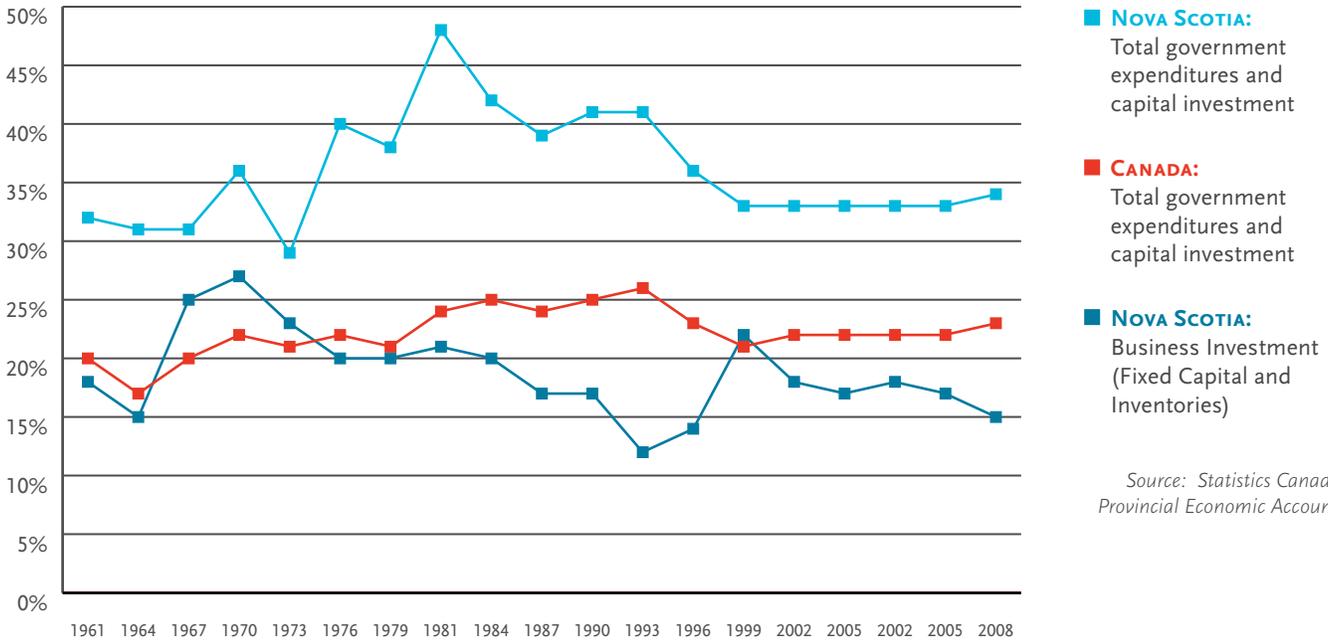
On the economic development side the federal government launched new regional development agencies, infrastructure funds and community development programs. The Nova Scotia government set up its own economic development agencies leading to the current Nova Scotia Business Inc (NSBI) and Innovacorp. The two levels of government also invested heavily in public enterprises to offset major industrial failures, most notably the Cape Breton Development Corporation (DEVCO), Sydney Steel (SYSCO) and the heavy water plants in Glace Bay and the Strait area.

By the 1980s the public sector generally, including federal and provincial governments, contributed over 40% of GDP in Nova Scotia, the highest of any Canadian province. However with rising debt and deficits for all levels of government this pattern could not last. When the federal government undertook to balance its budget in the mid-90s Nova Scotia was especially hard hit by the closure of military bases and severe cuts in health and social transfers and unemployment insurance. Fiscal retrenchment in both levels of government hastened the closures of Sydney Steel and DEVCO with far-reaching impacts in Cape Breton.



Total Government and Business Spending as Per Cent of GDP

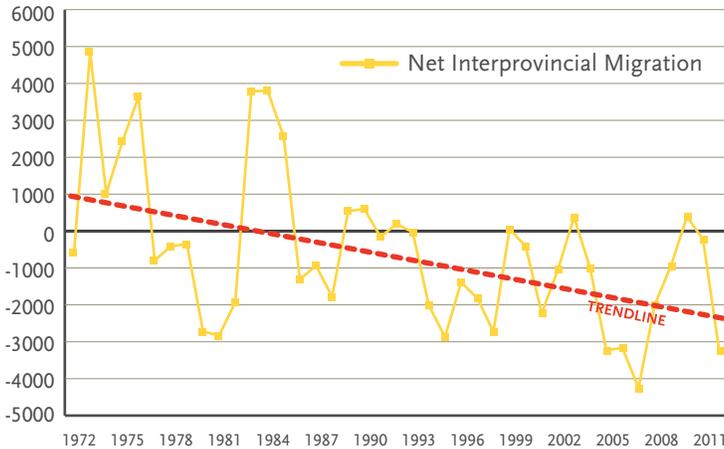
Nova Scotia & Canada — 1961 to 2010



Source: Statistics Canada, Provincial Economic Accounts

Nova Scotia – Net Interprovincial Migration

1971/72 to 2011/12



The chart above compares the changing role of government in the Nova Scotia economy (total expenditures and capital investments as a percent of GDP) with that of private sector business, and also with government’s impact in all provinces in Canada, over five decades from 1961 to 2011. Government’s total impact in Nova Scotia (the blue line) rose sharply from the early 60s through to the early 80s before leveling off at or above 40% of GDP through to the mid-90s. Over that same period business investment declined slightly as a share of GDP. For Canada as a whole government did grow in influence, but more gradually and at a much lower level of overall impact.

Today government is still the largest component of the provincial economy, but a smaller sector than a decade ago and no longer a major source of new growth in employment and wealth creation. It is also important to note that the government-led economy did not fully stabilize the population base. The 1971 to 2012 period saw a persistent trend to net out-migration as skilled workers and better-educated young people were drawn away to more attractive career opportunities elsewhere in Canada. In addition Nova Scotia has had a relatively poor record of attracting and retaining international immigrants.

THE CURRENT PICTURE

The role of government as the dominant growth driver in the Nova Scotia economy almost came to a crashing halt in the mid-1990s with cuts to federal health and social transfers, the restructuring of the Unemployment Insurance system to become the much leaner Employment Insurance program, the closure of several large military bases, and far-reaching cuts in civil service jobs. These factors combined with the fisheries collapse and later the closures of Sydney Steel and the DEVCO coal operations left many towns and rural communities across the province without their largest employers, and most of the jobs lost were in better paying and often unionized workplaces.

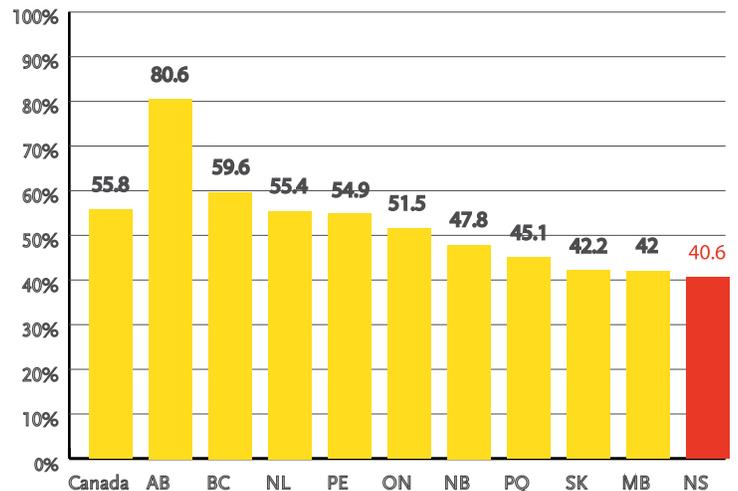
As the chart on the next page illustrates, without a dominant sector — whether public or private — driving new growth and stabilizing the population, the period since the mid-90s in Nova Scotia has been one of some turmoil with advances in a few areas and setbacks in others. Prior to 2005 tourism operators and exporters in the fisheries, pulp and paper and lumber sectors had banner years riding boom conditions in the U.S., but the Great Recession and the high Canadian dollar seriously curtailed export earnings resulting in business failures and lost rural jobs. The boom in offshore oil and gas came and went quickly, although the outlook is now more positive as it is for renewable energy production. There has been significant growth in some areas, most notably in private sector services, and new developments in new biotechnology, information and communications technology (ICT), aerospace/defense and oceans related research and development.

One other point of note about the recent decade and a half has been the influence of the community economic development (CED) movement in Nova Scotia. In response to widespread industrial collapse and major job losses in places like Cheticamp, Canso, Cornwallis, and industrial Cape Breton, community leaders formed new organizations to help set up training and adjustment programs for displaced workers, to advocate for greater government assistance and to create social enterprises to provide new jobs. The Coastal Communities Network brought industry and community groups together across the province to respond to plant closures and the loss of fishing opportunities. Pioneering organizations like New Dawn

and Development Isle Madame attracted international attention for their entrepreneurship in assisting communities to recover from cataclysmic industrial closures. Throughout Nova Scotia CED became integral to the way community leaders thought about economic development generally, and both the federal and provincial governments provided resources and lent significant support to building capacity for “ground up” economic renewal.

However, despite these many efforts to turn around local economies, and the successes enjoyed by some industry sectors, the pattern of weak overall growth has persisted through the period, resulting in a continuing loss of skilled workers and educated youth to other regions and limited new investment and immigration. Nova Scotia, and particularly its rural regions, now hovers on the brink of serious economic and population decline unless macro-economic conditions improve and new growth drivers emerge in the near future.

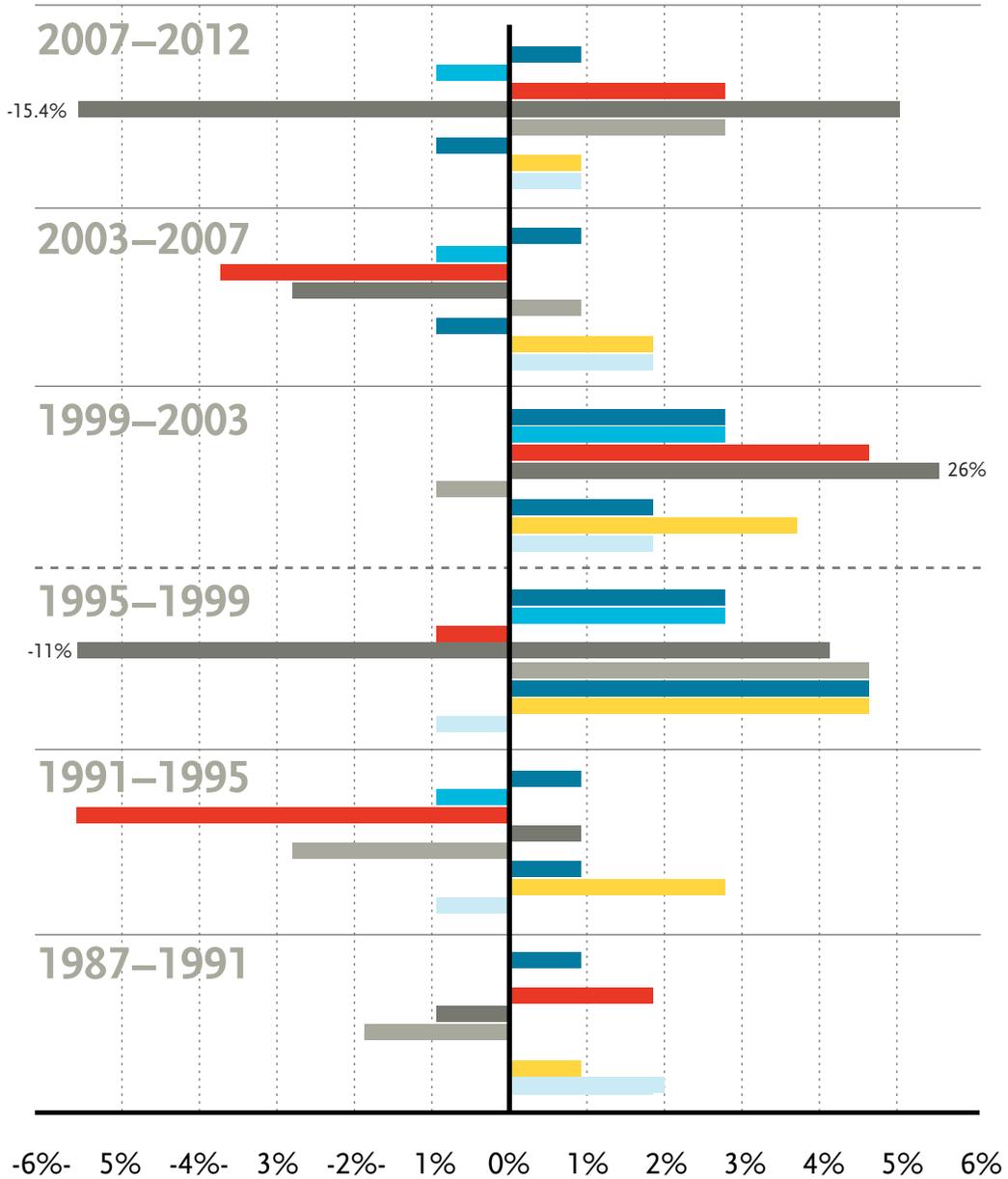
Economic Growth – Total Growth in Real GDP
1990 to 2009 (Per Cent)



Source: Nova Scotia Department of Finance



Changes in Contributions to GDP by Key Sectors of the NS Economy 1991 to 2012



Source: Nova Scotia Department of Finance, Statistics Canada

Lessons Learned

This brief historical overview shows the critical interdependence of economy and population. Given low birth rates, we cannot grow the population unless the economy is generating more jobs to stem out-migration and attract immigrants. We cannot sustain economic growth over time unless renewed population growth provides more workers, more entrepreneurs and more consumers. Nova Scotia has seen periods in its history in which economic and population trends came together to create significant growth, and other periods when the chemistry simply did not work for us. What can we learn from our past to help us cope with current challenges and opportunities? The following are a few points to consider in looking to change the future outlook.

THINGS CHANGE AND ATTITUDES MATTER

Nova Scotia's story is not one of unbroken economic marginality and have-not status. We have had significant ups as well as downs, and developments inside the province and in the wider world have frequently transformed our circumstances and prospects. And Nova Scotia's business and community leaders did not always think of themselves as disadvantaged competitors in a have-not province.

In the mid-19th century local entrepreneurs aggressively pursued opportunities around the world under conditions of global free trade, and when those conditions ended they set their sights on winning a dominant position in the expanding Canadian market. In numerous communities all around the province they rapidly established steel works, iron foundries, textile factories, sugar refineries and other industrial operations.

And when that economy no longer thrived workers and business operators shifted their energies to the development of resource-based exports. When the expansion of federal transfers in the post-World War II period provided Nova Scotia with new fiscal capacity local communities pooled their own resources to modernize schools, hospitals and social services. And municipal governments partnered with their federal and provincial partners to upgrade highways, water and sewage, waste management and public transportation systems.

*We cannot sustain **ECONOMIC GROWTH** over time unless **RENEWED POPULATION GROWTH** provides more workers, more entrepreneurs and more consumers.*

Today Nova Scotia faces new challenges as our dominant trading partner, the U.S., still struggles to recover from deep recession and as the centre of economic and political gravity in Canada shifts to the west. At the same time, however, free trade with Europe and expanding markets in Asia offer exciting opportunities to leverage our advantages as a global trader if we can shift to higher value products and build stronger trade linkages. Many established businesses around the province are thriving in this environment, and new start-ups are meeting success in software development, digital media, biotech and bio-fuels, medical technology, aerospace and defense, advanced materials, artistic production, and other highly competitive fields. What these entrepreneurs share in common, whether in traditional industries or new, "bleeding edge" sectors, is the confidence that our advantages and opportunities outweigh our deficits, and that with sound business strategies, hard work and creativity, Nova Scotia-based enterprises can succeed in the emerging global marketplace.

Societies are always dealing with changing circumstances, managing the factors they can control and adapting to conditions over which they have less influence. Nova Scotia's story is no different except that we have not always been as quick as others perhaps to seize new opportunities and make needed adjustments. The past shapes but does not dictate our future. There are, as always, choices to be made and new opportunities to pursue.



GEOGRAPHY AND ENVIRONMENT SHAPE ECONOMY

The pre-Confederation Nova Scotia economy was uniquely successful in linking local advantages to wider opportunities. Under free trade conditions skilled craftsmen built fast sailing ships to transport local commodities to markets all over the world. The manufacturing activities that emerged after 1867, while aggressively pursued, were less well suited to our location and resources, and many soon foundered in the face of competition from larger firms located closer to major markets. In the early 20th century, dispersed capital pools were brought together to support much larger investments in the coal and steel industries and certain manufacturing firms. These proved to be more sustainable because of proximity to critical resource supplies and reliance on sea transport.

In the 1920s the provincial economy shifted to resource industries where Nova Scotia again held competitive advantages. The challenge then became to realize greater value from the export of such commodities (e.g., newsprint, gypsum, lumber, seafood, apples, etc.) by improving productivity, adding value and diversifying markets. It is a challenge that many business operators in these sectors did not always manage well compared to competitors in other regions and countries.

Geographic and economic realities dictate that Nova Scotia's rural communities, like rural areas everywhere, will continue to rely heavily on sectors like tourism, forestry, fisheries and agriculture, and on production from renewable and non-renewable natural resources. It is not a question of whether we will continue to depend on these industries – we have no choice — but rather, whether we can pursue them in new ways to add significant value to our products and reach higher value markets. Additionally, rural communities now understand that the environment is itself a valuable resource for tourism and for attracting people to live and locate businesses. Protecting vital eco-systems and promoting sustainable resource use will therefore be central to strategies to revitalize Nova Scotia's rural economy.

SIZE AND LOCATION ARE A PROBLEM, AND A SOLUTION

Nova Scotia has a small economy and our resource industries and manufacturers will always face stiff competition from larger producers. Achieving greater success will depend on finding markets where we can get the highest value for our best and most unique products, and then continuously innovating and adjusting as market conditions change. It is also critical that we understand and take advantage of international value chains through which to combine our productive capacities and resources with partners in other places who can provide complementary inputs, new capital investment and improved market access.

The Nova Scotia economy has long been constrained by the high cost of land access to North American markets, but at times has had success in accessing wider markets via sea and, more recently, air transportation. Competing aggressively in world markets worked in the 19th century, and it is working today for progressive business operators in services as much as in goods production. Indeed, the lessons of history might indicate that the current trends to expanding global free trade offer economic opportunities for Nova Scotia that have been denied over a century or more by overdependence on national and U.S. markets. As well, many knowledge-based business activities are much less constrained by geography and location. Nova Scotia is well positioned to nurture such enterprises with our extensive post-secondary education system and up-to-date infrastructure for ICT.

GOVERNMENT CAN'T DO IT ALONE

The dramatic expansion of government's role over the 1950 to 1995 period provided the strong foundations for a modern, self-reliant economy; but this in itself was not enough to bring such an economy fully into existence. A well-developed education system, high quality health care and effective income security programs, along with modern infrastructure for transportation and communications and a full suite of economic development programs, are widely seen as prerequisite to business growth and competitiveness in a modern economy. By and large Nova Scotia has met these preconditions, but the province still hasn't seen the private sector

growth needed to support such an economy, including its public sector, on a sustainable basis.

If the right foundations are in place in Nova Scotia, why hasn't private sector growth "taken off"? Why hasn't this province seen comparable levels of business growth and diversification over the period as Ontario, Manitoba or British Columbia, to say nothing of less advantaged regions such as South Korea, Singapore and Brazil? Why haven't we had the positive population trends of similar-sized provinces like Manitoba and Saskatchewan?

In response, some stakeholders will argue that our economy suffers from "too much government" and that lower taxes and less regulation would create conditions for business investment to expand significantly. Those who support this view, however, may not take sufficient account of the many ways in which private enterprise benefits from government services and of the counter-stimulus impacts of steep cuts in government jobs and spending.

Other commentators assert that government can and should continue to be the dominant source of economic stability and growth in the province. They point to many public policy objectives – poverty reduction, affordable housing, environmental protection, inadequate educational outcomes – where improvements should be made and argue that solving these problems is the best way to turn the economy around. But these advocates often overlook the harsh reality that if government continuously grows its hiring, spending and capital investment faster than the overall economy, and therefore has to keep raising tax rates and borrowing more to sustain such stimulus spending, it eventually runs out of room to maneuver fiscally and politically.

Many taxpayers and business operators strongly resist such policies and higher debt servicing costs sharply erode spending capacity. (In 2012, the Nova Scotia government spent \$843 million to service its debt, equivalent to 10% of total departmental spending). In the absence of significant growth in the wider economy to produce higher tax revenues without higher tax rates or more debt financing, major new spending is simply not sustainable.

[Auditor General] Jacques Lapointe said the province's net debt increased to \$13.9 billion. The province's per capita debt is also up; as the population ages and declines, each Nova Scotian represents \$14,832 of the debt. "The province must address its population problem and find ways to reduce over-spending if the debt is to decrease," he said.

[Lapointe] says both the immediate and longer outlooks are unfavourable on sustainability measures such as long-term market debt, net debt ... net debt per capita and annual deficits. The most worrisome mismatch is that net debt has been growing faster than the population, which is also aging (a harbinger of higher future health costs and less employment income) and on track to eventually shrink. So while our net debt relative to the size of the economy and compared to provincial revenues is stable right now, demographics make the longer trend less sustainable. The same is true of annual spending as a share of provincial gross domestic product and of federal transfers as a share of total revenue. Federal transfers are an indicator of our vulnerability to revenue risks beyond our control.

Doc Jacques's check-up tells us we have to improve much more than public financial management. We also have to attract a younger demographic and improve provincial productivity to turn these trends around.

The Chronicle Herald, 1/24/14

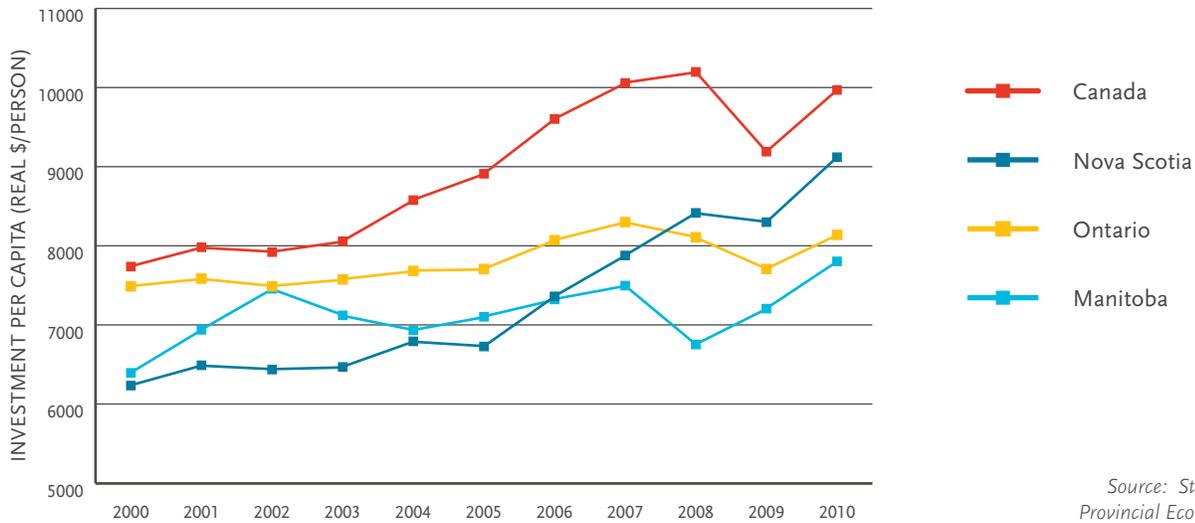
Projected Net Debt to GDP Ratio Federal & Provincial Governments 2013-14	
British Columbia	17.0%
Alberta	-1.8%
Saskatchewan	5.1%
Manitoba	28.1%
Ontario	39.3%
Quebec	49.8%
New Brunswick	35.9%
Nova Scotia	35.8%
Prince Edward Island	36.2%
Newfoundland & Labrador	25.1%
Federal Government	33.1%

Source: RBC Economics Research, January 2014.

A third view, shared by many historians and economists, defines the key problem for Nova Scotia as inadequate access to capital. The reluctance of dispersed community-based entrepreneurs to consolidate a financial "metropole" in the 1890s to rival Montreal and Boston meant that local businesses had difficulty financing larger investments to compete with rivals in other regions. By the 1920s most of the province's larger banks and trust companies had shifted their funds to central Canada, and undercapitalized rural industries found themselves locked into the exportation of minimally processed commodities.



Per Capita Private Sector Capital Investment
2000 – 2010, Constant \$ (year 2000)



Source: Statistics Canada, Provincial Economic Accounts

2 It is important to note that in a small economy like that of Nova Scotia, a single "mega-project" (e.g., offshore energy exploration or the ships contract) can produce a significant spike in investment levels, but may not be indicative of any broad based or continuing improvement in capital formation across the economy.

This pattern of weak private sector capital formation persists to this day with a consistent, and in some cases widening gap between Nova Scotia and most other Canadian provinces². A wide range of government programs has been in place to offer affordable credit and equity investments, and new venture capital funds have been set up, but to date we have not seen major improvements. Experts debate whether simply expanding the supply of affordable capital will make the difference, or whether there are deeper issues to be addressed first, key examples being the need to attract more immigrant investors and to promote entrepreneurship among youth.

While these different views all have merit, an extended debate about government versus private sector economic leadership may distract attention from the tough choices we now face in Nova Scotia. We can't escape the fact that significant private sector growth and expanded trade are essential if the provincial economy is to generate new wealth, provide more and better jobs, and support renewal of rural communities over the longer-term.

Real leadership and new initiative needs to come from both the private and public sectors, from key institutions in the voluntary sector, and from citizens through their community organizations. Decision-makers in every sphere need to be asking themselves, how can we improve what we now do, and do new and different things, to generate better outcomes?

And there is significant room to streamline regulatory processes, to improve communications between business and government, and to integrate government services so that businesses don't have to navigate multiple agencies with overlapping and sometimes competing mandates. Having a business champion or ombudsperson within government might be an effective way to encourage and facilitate private sector economic development leadership and initiative.

Average Annual Per-Capita Venture Capital Investment Nationally and by Province (excluding PEI and N&L), 2007–2011	
Quebec	\$59.70
British Columbia	\$51.70
Ontario	\$42.10
Canada	\$41.10
New Brunswick	\$26.40
Nova Scotia	\$24.80
Saskatchewan	\$22.20
Alberta	\$17.70
Manitoba	\$11.30

Source: Canada's Venture Capital and Private Equity Association

THE LIMITS OF BOTTOM-UP DEVELOPMENT

In June of 1998 the Coastal Communities Network held an important conference at White Point Beach with 170 community leaders and CED activists from around the province. The central theme of the gathering was that neither governments nor big business were likely to offer lasting solutions to the economic challenges facing rural communities, and that rural people would themselves have to lead in creating better futures through organization, creativity and cooperative effort. The conference report expressed the determination of the participants to help rural communities build a better future through ground-up activism:

Communities are surviving the crisis. We are moving past grief and denial to clearer understandings of realities and challenges. We are developing new leadership and moving past dependence on government to taking control. We are gaining a knowledge base, a new sense of power and openness to innovative approaches... We have strength and resilience, a strong sense of community, and are able to build on historical identities and traditions, openness to change on individual and community levels, pride in community, [and] creativity on a community level... We are committed to self-reliance [within] a strong co-operative tradition.³

Looking back from today's vantage point, we very much celebrate the courage and commitment of these active citizens in taking responsibility for the state of their communities and in building the skills and capacities to lead them forward, but we also recognize that the CED movement has not achieved many of the advances that were hoped for. In situations where major industrial operations closed, often throwing hundreds of well-paid employees out of work, CED organizations had limited possibilities of creating similar numbers and types of new jobs although they often were effective in supporting small business start-ups and self-employment.

Another constraint on grass roots economic development is the dependence on government for core funding and working capital for CED programming. Many such organizations received good support initially but then were vulnerable to policy changes that replaced core funding with short-term project support,

undermining capacities to address local priorities and to plan and implement longer-term change.

On the most basic level experience with CED in Nova Scotia and elsewhere suggests that, in situations where the wider macroeconomic environment is not conducive to business success generally, it is difficult for bottom-up efforts to turn around a local economy. In 2000 Dr. Donald Savoie undertook a study of the potential of CED as a possible alternative to traditional regional development policies and programs. He concluded that in many situations CED may be an important component of a local economic renewal process supported by government and perhaps new private sector activity, but it is not an adequate substitute for sound regional development policy and programming and for substantial new investment and more mainstream business expansion.

In spite of the promise that community economic development may present in certain circumstances and for certain communities, it will never be the complete answer for Atlantic Canada. Put differently, it can complement broader regional development efforts, but it can never replace them.⁴

In sum, while the energies, resilience and creativity of CED initiatives in rural communities will be valuable components of an effective provincial growth and renewal strategy, in most cases they are unlikely to provide the dominant components of such a strategy.

THE CHALLENGE OF LABOUR MOBILITY

People, and especially younger and more skilled people, will pursue opportunities to improve their situations and realize their aspirations. Labour markets are constantly reshaped by the ups and downs of regional economies, and significant numbers of workers will move with these shifts. In the 1920s, many workers left failing factory towns of the Maritimes to find better opportunities in the booming industrial areas of central Canada and the "Boston States". Nova Scotia experienced a net loss of population and a sharp decline in its economy over that decade. Today we are seeing the same trends as rapid expansion in Western Canada pulls thousands of our young people away.

³ Final Report of the "Building Our Future: Respecting Our Past" conference held May 8-10, 1998, at White Point Beach, Nova Scotia, led by the Nova Scotia Coastal Communities Network. <http://bit.ly/1bgzyes>

⁴ Savoie, Donald J., *Community Economic Development in Atlantic Canada: False Hope or Panacea?* Canadian Institute for Research on Regional Development, University of Moncton, 2000.

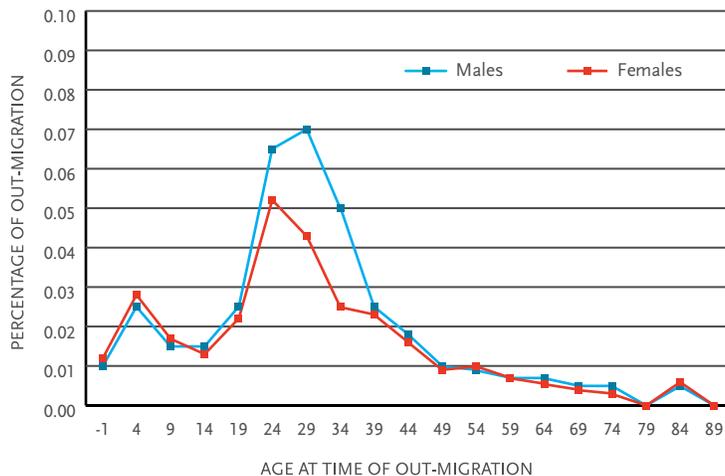


Businesses throughout the Nova Scotia economy face a new and growing challenge in attracting and retaining skilled labour and this can be more daunting in the rural regions of the province. New immigrants and our own young people will not stay and raise families in local communities when they have much more attractive career opportunities in other places. This chart shows the age profile of people who left Nova Scotia for other provinces during the 2006 to 2010 period. The great majority was in the 20 to 34-age category, young people beginning careers, starting families and perhaps creating new businesses. When they leave, to a serious extent, they take the future of their communities with them.

Subsidizing enterprises that offer low wages and marginal attachment is at best a stopgap measure: we cannot rebuild local economies with such jobs. Temporary foreign workers are an effective means to meet the labour needs of seasonal industries, but they again will not sustain communities. Wage levels are of course not the only thing that makes jobs attractive: non-wage benefits and career advancement prospects, cost of living and quality of life factors, and the quality of health and education services and community amenities are all very important. Local and provincial governments and community groups need to work with business leaders on strategies to make our rural communities more competitive in an increasingly borderless regional and national labour market.

Age Profile of Nova Scotia's Interprovincial Out-Migrants

Average – 2006 TO 2010



Source: Census Canada and Nova Scotia Department of Finance.

Since 2007 Oxford Frozen Foods has used an innovative housing loan initiative to help its home community while building a committed workforce. The company provides interest-free loans for employees to purchase houses within the Oxford school district. The loan is then forgiven in increments over ten years. This helps both to retain employees and to maintain enrolment in a new school built with assistance from the company.

Oxford's unique housing initiative is an example of the creativity that is evident in the company's decisions: local and regional re-investment, diversified business lines, a growth orientation, global marketing, energy efficiency, and commitment to place.

INCLUSIVENESS GOES WITH GROWTH

The community of Whitney Pier grew up around the steel plant in Sydney in the early years of the 20th century and by the 1950s had become a melting pot for people from many places and backgrounds — Polish, Ukrainian, Croatian, Italian, West Indian and Jewish immigrants along with people from the U.K. and Ireland, Newfoundlanders and African Nova Scotians. Not even in Halifax would one have found such cultural richness and integration at that time. Diversity and inclusiveness are not exclusive to cities, but they do tend to be more evident when the economy is growing and labour is in higher demand.

In contrast, in the 1950s Nova Scotia's more rural regions were characterized by much greater separation and isolation for people from different racial, ethnic and even religious backgrounds. The Acadians had built up strong communities with their own churches, educational institutions, co-operatives and credit unions, but discrimination in employment and isolation from the wider economy held back their economic progress. Living in even greater social isolation Aboriginal people and African Nova Scotians experienced overt racism when seeking employment and access to public services. The residential school is a sad part of that history for First Nations.

The modernization of public services since the 1950s brought improved access to education and social services for Aboriginal people and African Nova

*Real progress has been made, but much work remains to be done to build a more inclusive and just society. Business and community leaders increasingly recognize that the **ECONOMIC EXCLUSION of MINORITY and DISADVANTAGED GROUPS is a DYSFUNCTION that HURTS EVERYONE.***

Scotians, and also for people with disabilities. This led in turn to expanding efforts to improve human rights and reduce the barriers of racial, linguistic and religious discrimination that had oppressed minorities in all regions of the province, but perhaps more profoundly in rural communities. Real progress has been made, but much work remains to be done to build a more inclusive and just society. Having a more expansive economy is not the only solution, but is undeniably a key energy source for this important area of social change.

Business and community leaders increasingly recognize that the economic exclusion of minority and disadvantaged groups is a dysfunction that hurts everyone. The labour force participation rate for Nova Scotia in 2013 was 63.4%, second lowest in Canada after New Brunswick⁵. This means that nearly 290,000 working age people in the province are not in the labour force (neither employed nor actively seeking a job). If Nova Scotia were to reach the average participation rate for Canada (66.4%), some 24,000 more people would become available to replace the thousands of older workers who will retire in the near future.

Minority communities account for disproportionate shares of the unemployed or underemployed people in Nova Scotia. In the 2006 Census the employment rate for First Nations people in the province was just over 53%, and for African Nova Scotians about 62%, compared with 68% for the total working age population⁶. The birth rate for these communities is higher than in the general population so they represent an important potential source of young new entrants to the labour force.

⁵ Statistics Canada (statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/lfsso1a-eng.htm). The labour force participation rate is the percentage of working age people (aged 18 to 65) who are either employed or actively seeking employment.

⁶ Employment Nova Scotia (novascotia.ca/employmentnovascotia/lma-information/documents/NSLMAplan2010-11v5.pdf). The employment rate is the percentage of the working age population actually in jobs.

⁷ www.immigration.novascotia.ca/sites/default/files/Immigration_Facts_Immigration_Trends_Aug26.pdf

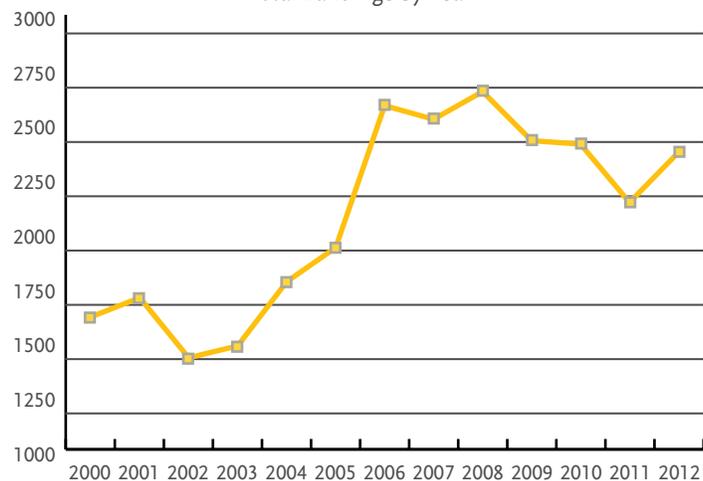
Opening up our workplaces to greater participation by minority and disadvantaged people, and building job skills and entrepreneurship among these groups, are critical objectives for social and economic progress in Nova Scotia. The realization of these objectives will require active commitments by business and community leaders as well as government.

IMMIGRATION IS ESSENTIAL

Nova Scotia's current immigration picture is improving, but not dramatically. In 2012, 2,370 new immigrants arrived in Nova Scotia, an 11% increase from the year before and up 47% from 2001.

The evidence confirms that immigrants to Nova Scotia are generally successful. 42% of immigrants have a university education, compared to 17% of the non-immigrant population, and the unemployment rate for immigrants is 7.4%, compared to 10.0% for immigrants across Canada. Immigrant retention rates in Nova Scotia have steadily improved as well, from 48% during the 1996-2001 census period to over 70% since then⁷.

Immigration in Nova Scotia
Total Landings by Year



Source: Nova Scotia Department of Immigration



Landed Immigrants to Nova Scotia, 2012, by Class		
Economic Class	Federal Skilled Worker	549
	Canadian Experience	78
	Provincial Nominee	954
	Business Immigrant	50
	Live-in Caregiver	20
Family Class		470
Refugee Class		195
Other Classes		54
Total		2370

Source: Nova Scotia Office of Immigration

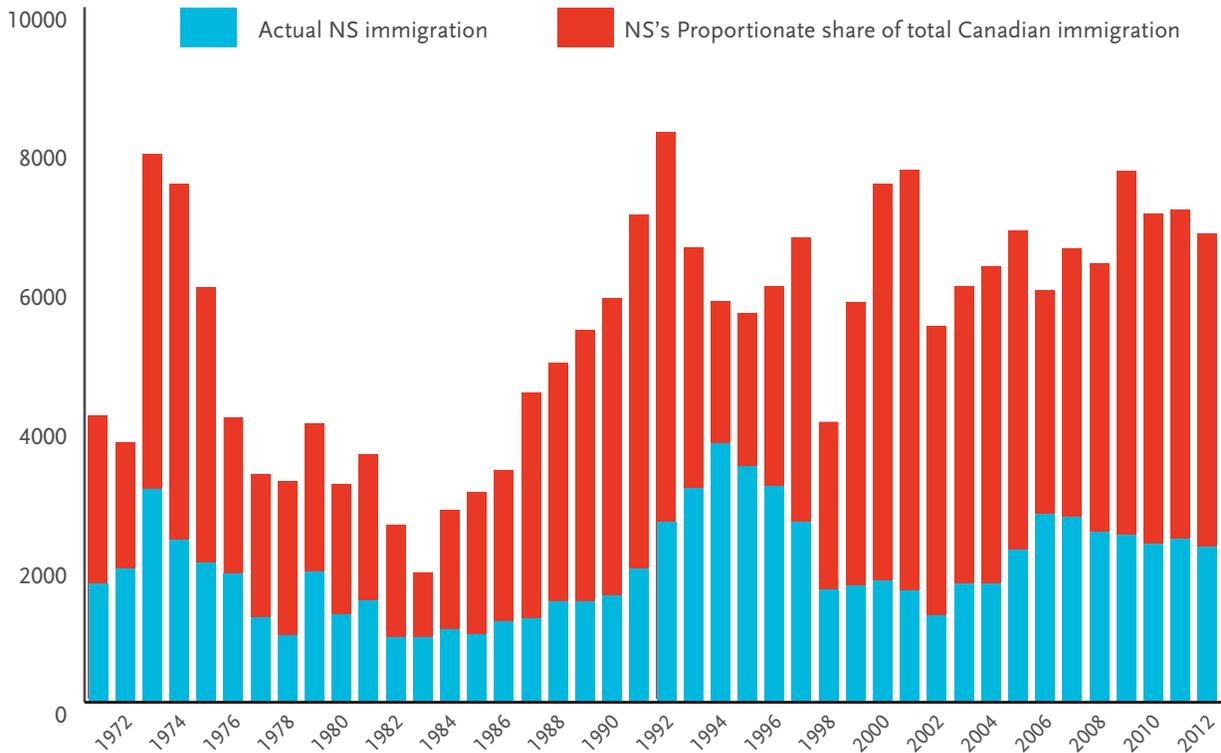
In an average year between 1972 and 2012, Canada as a whole increased international immigration at a rate 3.3 times greater than that of Nova Scotia. Nova Scotia has 2.7% of Canada’s population, but we do not receive that share of immigrants to Canada. The chart below compares the actual number of immigrants to Nova Scotia (1972 to 2012) with what the proportionate share

would have been if Nova Scotia had achieved the same growth rate as Canada over the 1972 to 2012.

While there is some discussion during periods of higher unemployment, one rarely hears serious arguments that higher rates of international immigration have been bad for Canada over the longer-term. Why would we think they might be damaging for Nova Scotia? The periods in Nova Scotia’s history when the economy grew most significantly correspond to waves of new immigrants – most notably in the early to mid-19th century and the post-WWII period. It is a chicken and egg argument as to which needs to come first: immigration and economic expansion are mutually reinforcing and both are necessary if the future outlook is to improve.

Survey research carried out by the Commission found that attitudes on this issue were mixed. Nova Scotians appear to be very positive about newcomers from other parts of Canada but somewhat less welcoming to immigrants. There is a segment of the population that believes that immigrants take away jobs from other Nova

Actual Immigrants to Nova Scotia Compared to Proportionate Share of Total Immigrants to Canada



Source: Statistics Canada, Cansim Tables 051-0004 and 051-0042

Scotians. Rural residents appear to be more concerned than their urban counterparts on this issue.

More attention needs to be directed to the many ways in which new people in our communities create jobs. All of us can look around and see examples of how recent flows of immigrants have injected new life into local economies – Dutch farmers, foreign trained doctors, and entrepreneurs in the Greek, Lebanese and American Buddhist communities, to name just a few. It is particularly interesting to note the number of young people who come to the province to attend universities and stay on to start businesses, many of them in leading edge fields such as bio-tech, ICT and the creative sector.

However, the Commission's meetings with immigrants themselves and with community agencies that support them provided convincing evidence that newcomers to Nova Scotia often have difficulty gaining a foothold in the province by having their professional credentials and experience recognized and accessing jobs in their chosen fields. This is partially a technical issue of assessing foreign education and training standards, and governments, post-secondary institutions and community agencies are building capacities to do this more effectively. But there clearly are additional barriers stemming from negative attitudes and even racism when it comes to welcoming new people into our communities and hiring people "from away".

Our relatively low rates of attraction and retention for international immigrants, along with our negative inter-provincial migration trend, are factors that most clearly differentiate Nova Scotia from other Canadian provinces and contribute to our weaker economic growth over the past 30 years.

WE HAVE TO PULL TOGETHER

Nova Scotia is a small place, with less than a million people and a day's drive from one end to the other. It should be easy for us to seek and find consensus on ways to meet our challenges and build a better future, and to align our government policies, institutional capacities and private sector initiatives to pursue these objectives in a concerted way. And yet we are divided in multiple ways: 54 municipalities, 13 First Nations, multiple school and health boards, small business pulling against big business, distrust of investors "from away", and rural regions pitting themselves against the cities. We often appear to be a house divided.

*Our relatively low rates of **ATTRACTION** and **RETENTION** for **INTERNATIONAL IMMIGRANTS**, along with our negative **INTER-PROVINCIAL MIGRATION** trend, are factors that most clearly differentiate Nova Scotia from other Canadian provinces and contribute to our weaker economic growth over the past 30 years.*

In today's global economy success is no longer a function of individual companies and local communities competing against each other. Economic development requires the alignment of business activities with government policies and programs and with education, training and research and development capacities. Rather than pursue the proverbial race to the bottom by constantly pressing for advantage over each other, success-oriented business and community leaders seek out new ways to collaborate to develop value chains, pool capital and skills, and to support innovation and market expansion.

Around the world we see that it is often the smaller jurisdictions – the Scandinavian countries, Scotland, New Zealand, particular Australian and American states – that are benefiting most from globalization because they are able to build internal consensus and work across sectors and different levels of government to implement coherent development strategies.

Nova Scotians need to study these approaches and find ways to make them work for us. The recent dialogue between the mayors of Halifax and the Cape Breton Regional Municipality is a good example of leaders from different regions seeking common ground on shared priorities. Similarly, tourism industry groups from around the province have actively supported the new convention centre in Halifax because they know that new and bigger "destinations", no matter where they are located, will increase the pool of potential visitors for operators everywhere else. Cabot Links, the excellent new golf course in Inverness County, may well have the same impact. This is the kind of strategic thinking that needs to be pursued throughout the Nova Scotia economy.



There are, however, too many examples where just the opposite is occurring, such as the resistance to reform in municipal government structures and the slowness of local governments to come together to form the new Regional Enterprise Networks (RENs), preferring in some cases to use scarce resources to continue competing with each other for development opportunities.

Overcoming the psychological barriers of division, distrust and discouragement may be just as important as raising capital, producing more products or finding new markets. Indeed, we may need to accomplish the former transformation before we can make much more progress on the practical aspects of economic development.

ECONOMIES GROW AROUND CITIES

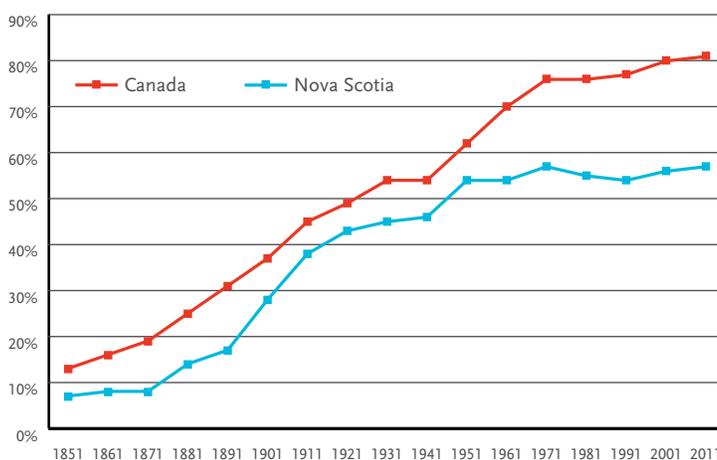
Modern day experts describe the world economy as progressively reorganizing around urban regions that draw in people and capital, generate creative synergies and cross collaboration, and push out investment and expanded trade linkages to their regions. The essential ingredients for success in advanced, knowledge driven economies — R&D capacities, available workers with specialized skills, high concentrations of entrepreneurs

bumping into each other, and access to venture capital and other financial resources — tend to cluster around urban centres through networks originating in universities, government agencies and financial and business organizations. Expanding cities and towns also generate internal markets for a widening range of products and services produced in their surrounding rural regions.

Nova Scotia has been slow to adopt this pattern. Historians have observed that the failure of 19th century community and business leaders in the Maritimes to concentrate their assets and entrepreneurial capacities in a regional centre was a significant disadvantage for local businesses trying to compete in continental markets. For a brief period in the early 20th century Halifax and Pictou County interests did pool their capital to build one of the largest steel complexes in Canada, and manufacturers, including Stanfield's in Truro and Dominion Textiles in Windsor, had ready access to affordable capital from Halifax banks to support modernization. But this proved to be too little and too late to help the overall economy keeps pace with competitor regions.

As the chart shows, between 1951 and 2011 Nova Scotia's urban population, i.e., people living in communities of 1,000 or more, as a proportion of the total shifted marginally from 54% to 57%, while Canada's went from 62% to 81%.

Percent of Population Living in Urban Areas
Canada and Nova Scotia, 1851 to 2011



Urbanization slows in Nova Scotia in the 1920s, accelerates during WWII, and then levels off.

Source: Census Canada and Nova Scotia Department of Finance. The definition of urban areas changes slightly over the period, but generally refers to centres with 1,000 or more population.

Today Halifax is emerging as the largest and most influential urban centre in the Atlantic region with new investment flowing into dynamic sectors such as aerospace and defense, ICT and financial services. If wisely planned and managed, this trend will generate positive linkages and spread effects for other areas of the province.

However the city of Sydney and many of our larger towns have challenges on the fiscal side because they function as service centres for larger populations widely dispersed across surrounding rural areas. This is one key reason to accelerate the municipal reform process.

These are not arguments to abandon rural regions and move everything to Halifax and Sydney. The key point is that a small province or region needs a few dynamic urban centres to consolidate the elements essential to growth and innovation across its whole economy. Cities that play this role do not have to be huge and constantly expanding — some of the most successful cities

*These are not arguments to abandon rural regions and move everything to Halifax and Sydney. The key point is that **A SMALL PROVINCE** or region needs a few **DYNAMIC URBAN CENTRES** to consolidate the elements essential to **GROWTH AND INNOVATION** across its whole economy.*

internationally are mid-sized or smaller and relatively stable in population (e.g., Oslo, Edinburgh, Kitchener-Waterloo, Seattle, Perth [Australia], and others).

It is time – perhaps well past time — for Nova Scotians in all regions of the province to set aside parochial attitudes and to address themselves to the task of building a stronger, more productive and competitive economy to lift the whole province. Such an economy will not take shape evenly and at the same pace across all sectors and all regions of the Province, but that is not a good reason to perpetuate a wholly inadequate status quo.

WE NEED MORE ENTREPRENEURS

Nova Scotia has a long history of ambitious and successful entrepreneurs and every community can identify the business leaders who laid the foundations for their local economies in the 19th and 20th centuries – names like Churchill, MacKay, Stairs, Stanfield, Moir, Robb, Comeau, Killam, Sobey, Schwartz, Theriault, Jodrey and many others.

And we have had great leaders in the field of social entrepreneurship – Fathers Coady and Topshee in the Antigonish movement, and other rural men and women who developed Farmer’s and Scotsburn dairies and many other successful credit unions and producer and consumer co-ops.

But today we are more ambivalent on almost a cultural level about the contributions of the business sector and the role of individual entrepreneurs. Findings from the research and public engagement carried out by the Commission suggest that Nova Scotians do not always promote entrepreneurship or celebrate business success. Many communities seem more comfortable looking to government to drive change and renewal in their economic condition.

This of course is not unique to Nova Scotia. Urbanization, the economic dominance of service sector industries and the shrinking role of smaller, locally owned businesses all contribute to a general shift away from the entrepreneurial spirit that was so prevalent in earlier times, particularly in rural communities. Nevertheless by standard measures such as business start-ups, business retention, profit growth and capital investment, Nova Scotia lags behind most other regions of Canada. We seem to have special challenges in terms of the current climate for risk taking and creative business development.

Rebuilding the Nova Scotia economy, particularly in rural regions, may need to begin with an attitude shift on the role of business and entrepreneurial initiative, promoting it more effectively through our educational system and through the contributions of business leaders as role models and mentors in their communities.

Largest Urban Areas in Canada by Population

City	Population 2011	% Change 1996 to 2011	% of Provincial Population 2011
Toronto	2,615,060	9.6%	19.6%
Montreal	1,649,519	6.6%	20.7%
Calgary	1,096,833	42.7%	29.0%
Edmonton	812,201	31.8%	21.5%
Winnipeg	663,617	7.3%	53.0%
Vancouver	63,502	17.3%	13.2%
Halifax RM	390,096	14.1%	41.1%
Saskatoon	222,189	15.0%	21.0%
St. John's	106,172	4.0%	20.7%
Cape Breton RM	97,398	-15.2%	10.2%
Saint John	70,063	-3.4%	9.3%
Moncton	69,074	16.5%	9.1%
Fredericton	56,224	20.9%	7.4%

Source: http://en.wikipedia.org/wiki/List_of_the_100_largest_urban_areas_in_Canada_by_population



WE HAVE TO TRADE TO GROW

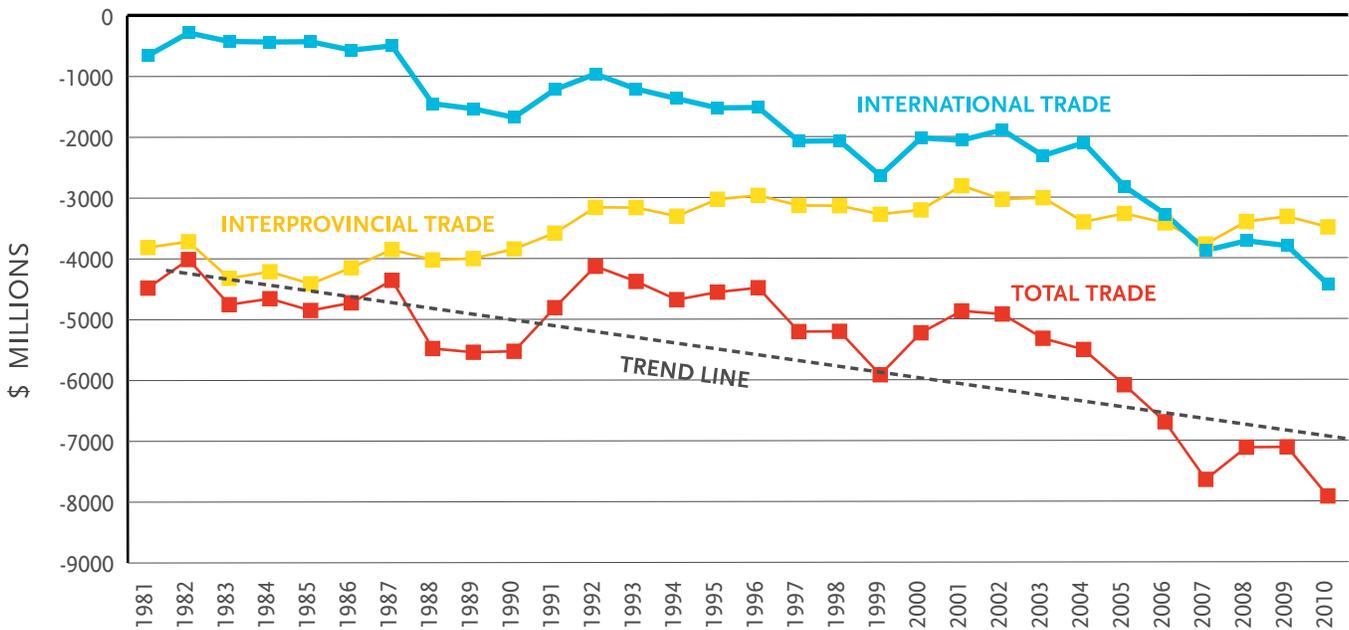
Being a small province, and one with slow population growth, means that Nova Scotia has a small domestic market. For most businesses to grow significantly, whether goods producers or service providers, they have to access larger external markets through trade activities.

In 19th century Nova Scotia, business was all about exports. First within the British mercantile empire, and then increasingly with the United States and Central Canada, local entrepreneurs invested heavily in getting local commodities to the best available markets in other places. They evolved from minimally processed primary products to finished manufactured goods in aggressive pursuit of those external market opportunities. When those enterprises began to lose competitive ground, production shifted back to semi-processed primary products targeting wider international markets.

Through the middle part of the 20th century, up to the 1970s, Nova Scotia's private sector economy was largely centred on export trade, with most of the production coming from rural regions and industrial Cape Breton. As the chart below shows, however, there then began a long period of decline in trade activity. From 1981 to 2010 the province's balance of trade deficit almost doubled from about -\$4.5 billion to -\$7.9 billion. The trend continues: battered by pulp mill shutdowns, Nova Scotia's merchandise exports fell by more than 14% in 2012, the weakest performance among Canadian provinces.

With the high Canadian dollar and recession in the U.S. the Canadian economy overall has seen weaker trade conditions in recent years. Total trade growth for Canada was only 1.5% in 2012. However, our difficulties in Nova Scotia on the trade side of the economy are much more substantial and persistent, indicative of deeper structural weaknesses. As evidenced by the table to the right, our province does not compare well with most others in terms of the number of firms that are participating in trade activity.

Deficit in Balance of International, Interprovincial and Total Trade – Nova Scotia
1981 to 2010



Source: Statistics Canada, Provincial Economic Accounts

The table depicted below provides insight into the export sectors that have been gaining or losing ground over the past decade.

Value of Merchandise Exports from Nova Scotia, 2003 and 2012 (\$millions)

Export Sector	2003	2012	% Change
32621 - Tire Manufacturing	\$686	\$1,028	50%
31171 - Seafood Product Preparation and Packaging	\$634	\$489	-23%
11411 - Fishing	\$560	\$433	-23%
32211 - Pulp Mills	\$191	\$165	-14%
31141 - Frozen Food Manufacturing	\$77	\$121	57%
32212 - Paper Mills	\$473	\$112	-76%
32611 - Unsupported Plastic Film, Sheet and Bag Manufacturing	\$69	\$88	29%
32111 - Sawmills and Wood Preservation	\$194	\$81	-58%
41811 - Recyclable Metal Wholesaler-Distributors	\$24	\$76	218%
33451 - Navigational, Measuring, Medical and Control Instruments	\$65	\$66	2%
32629 - Other Rubber Product Manufacturing	\$38	\$66	72%
32411 - Petroleum Refineries	\$84	\$56	-34%
33392 - Material Handling Equipment Manufacturing	\$14	\$54	283%
33641 - Aerospace Product and Parts Manufacturing	\$28	\$51	79%
32599 - All Other Chemical Product Manufacturing	\$10	\$48	405%
33261 - Spring and Wire Product Manufacturing	\$22	\$43	97%
32613 - Laminated Plastic Plate, Sheet and Shape Manufacturing	\$23	\$42	80%
33322 - Rubber and Plastics Industry Machinery Manufacturing	\$16	\$37	129%
33422 - Radio and TV Communications Equipment	\$22	\$37	73%
21111 - Oil and Gas Extraction	\$1,200	\$29	-98%
31321 - Broad-Woven Fabric Mills	\$29	\$29	0%
11212 - Dairy Cattle and Milk Production	\$7	\$22	206%
32619 - Other Plastic Product Manufacturing	\$21	\$21	-2%
31411 - Carpet and Rug Mills	\$12	\$20	68%
21239 - Other Non-Metallic Mineral Mining and Quarrying	\$76	\$19	-75%
Sub-total	\$4,574	\$3,233	-29%
Others	\$903	\$579	-36%
Total (All Industries)	\$5,477	\$3,812	-30%



Nova Scotia's exports doubled between 1992 and 2002, reflecting an expansion in paper production and the establishment of a new export industry, offshore natural gas. Together, these two industries contributed almost half of total export growth over this period. By the mid-2000s, export markets for Nova Scotia's resource-based manufactured goods had eroded under continuing pressure from low-cost producers elsewhere in the globe. The rise in the dollar and the drop in US demand at the end of the decade exacerbated this trend. More recently, weak markets and the depletion of the province's largest natural gas field, plus a shift towards domestic distribution have cut exports in this category to 4% of the peak achieved in 2002. Nova Scotia's merchandise exports in 2012 were \$3.8 billion, down 14% over the previous year.

"Competitiveness Challenges and Policy Research Priorities in Nova Scotia"
Atlantic Provinces Economic Council
Report to Nova Scotia ERDT, March 21, 2013

The fish and seafood group recorded an export value of \$873 million in 2012, an increase of 4.3% over 2011. This represented 22.8% of total provincial exports [second only to rubber and tires at 27.5%] ... the United States remained the major export destination for the province's fish and seafood exports, but its market share decreased to 58%, down from 62% in 2011. In contrast, China's share almost doubled in 2012, from 5% to 9%.

From The State of Nova Scotia Trade 2012
Department of Economic and Rural
Development and Tourism

With a 30% fall-off in the value of exports over the 2003 to 2012 period, the overall trend was clearly negative. Much of the loss in value is attributable to the shutdowns in the pulp and paper industry, reduced prices and falling production levels for natural gas, and low prices for seafood and lumber products. But we should also note some bright spots. Export of tires increased 50% despite deep recession and the high dollar, suggesting that the industry is relatively robust. A number of smaller sectors are showing distinct signs of life, including aerospace, materials handling, frozen food products, certain chemicals and rubber manufacturing.

It is important to note that in 2012 some 70% of Nova Scotia's exports were generated from the key rural sectors of manufacturing (tires, plastics, textiles, etc.), fisheries, forestry (including pulp and paper) and agriculture. While some observers characterize these as "sunset industries", they are still the dominant elements of our private sector, goods producing economy, and therefore vital to the interests of the entire province.

The most recent data suggests that 2013 saw a recovery in trade performance in the province with an almost 10% improvement in value of exports by the third quarter of the year. But the overall picture remains challenging. Again in a small economy, it is difficult to imagine how a lasting economic turnaround and renewal might be accomplished without a lot more businesses generating a lot more exports of goods and services than is currently the case.

Exporting Firms by Province (2009)

Province	Number of exporters	Per 100,000 population	% Change 1999-09
NL	307	60.6	38%
PE	203	145.5	25%
NS	851	90.8	-10%
NB	728	97.5	-14%
QC	10,681	137.8	11%
ON	21,400	165.5	5%
MB	1,564	129.7	5%
SK	1,128	111.3	31%
AB	4,374	121.8	22%
BC	6,401	146.0	0%
CAN	47,637	143.0	7%

Source: Statistics Canada, International Trade Division, Exporter Register Database

BIG OR SMALL, WE NEED BUSINESSES THAT GROW, AND MORE OF THEM

Most Nova Scotians can go back over many years to list off the mega projects that have never quite happened and the big business failures that left workers and communities high and dry. Such a list is often used to bolster arguments that governments should only support locally owned small and medium sized businesses. But the economy is never that simple.

Comparison: Small, Medium and Large Businesses Nova Scotia , 2009

Businesses by Number of Employees	# of Businesses		# of Employees	
	Number	% of Total	Number (000s)	% of Total
Total	31,814	100%	411	100%
< 5 Employees	17,759	62%	34	8%
5 to 49 Employees	9,406	30%	95	23%
50 to 99 Employees	847	3%	30	7%
100 to 499 Employees	1,008	3%	50	12%
500+ Employees	794	2%	203	49%

Source: Nova Scotia Business Statistics 2009, Nova Scotia Department of Finance

The above table compares the employment levels generated by different sized businesses⁸ in Nova Scotia. Some 92% of businesses in Nova Scotia fall into the small business category, i.e., have less than 50 employees. However the greater share of employment is generated in larger organizations, with better than two-thirds of all jobs located in entities with 50 or more employees.

And larger organizations often provide better paying jobs. In 2006 the 8% of all businesses that had 50 or more employees generated nearly three-quarters of total payroll income in the province, with average payroll per employee at \$38,537 compared to \$29,244 in smaller businesses.

Sean Murray, president and CEO of Advocate Printing & Publishing, said some of Canada's productivity gap could be attributed to the country's largely rural makeup. A small manufacturer in Pictou, for example, may not be as efficient as a company serving a larger market that can take advantage of economies of scale....

"Rural Nova Scotia certainly benefits significantly from some large businesses. But small businesses are the backbone of many rural communities, and what we have to do is to try to encourage those small businesses to export and grow."

The Chronicle Herald, January 10th 2014

Nova Scotia has 29,179 "small businesses." Only three per cent of these are defined as being high-growth and fewer than five per cent generate meaningful revenue from export sales. So a 'small business' may be a fast growing high-tech exporter that invests heavily in research and has 50 full-time high-paid employees or it could be a corner store with five part-time minimum wage workers...

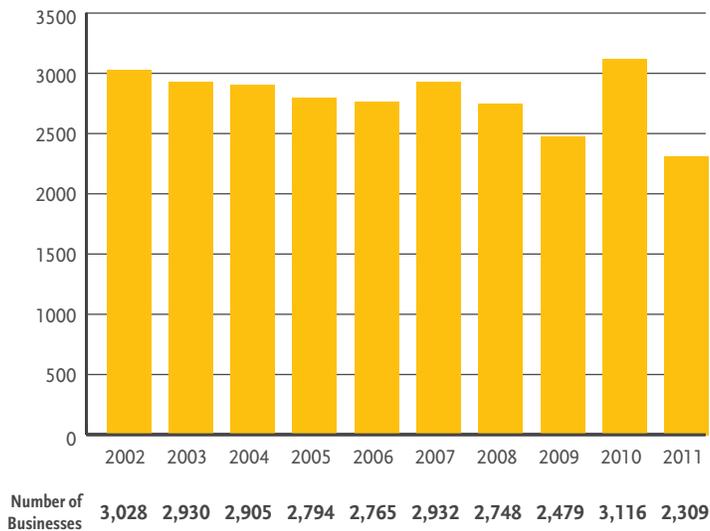
Exporters ... make money by selling Nova Scotian products and services to global customers. Exporters put the world's money into our pockets. It is export revenue that will enable us to afford the improved government services that our politicians keep promising to deliver.

Our economy has been stalled for decades, in part because too many of our most capable citizens have sought opportunities else where. If we want to reverse this trend, we need to focus our attention on accelerating the success of the exporters that create the high paying and highly skilled jobs that inspire talented Nova Scotians and the new immigrants we so desperately need.

*Colin Deacon, President and CEO of BlueLight Analytics
The Chronicle Herald 10/04/2013*

⁸ Statistics Canada: includes all private and public sector businesses or organizations that issue T4 slips to employees.

Businesses Paying Taxes for the First Time in Nova Scotia
2002 TO 2011



*While many such businesses **START SMALL**, if they are successful they often don't stay that way — they grow larger themselves, or form **PARTNERSHIPS** with other enterprises to pool capital and market access capacities, or they get bought out by bigger competitors.*

*To get the overall economy growing on a **STABLE** and **SUSTAINABLE** basis we need many more such companies, big and small, and we need more of them to be successful and to **KEEP EXPANDING**.*

A more basic issue arises when the focus is on economic growth. Nova Scotia and its rural communities in particular need more jobs and better incomes to attract and retain people. The category of “small business” includes many personal services (e.g., incorporated doctors, dentists and lawyers), retail stores and restaurants, dairy farmers, real estate firms and other types of businesses that depend to a large degree on other sectors of the economy to generate consumer buying power. Only a relatively small percentage of enterprises in the province is involved in business activity aimed at increasing export sales, expanding market shares and creating significant numbers of new jobs as they expand. While many such businesses start small, if they are successful they often don't stay that way – they grow larger themselves, or form partnerships with other enterprises to pool capital and market access capacities, or they get bought out by bigger competitors.

Nova Scotia has many small and medium-sized businesses that are active in potentially high growth sectors — software development, advanced materials, bio-technology, pharmaceuticals, film and digital media production, ocean science, vineyards, green energy, etc. And we have larger companies that are well established in these and other fields and that often nurture or spin off smaller start-ups. To get the overall economy growing on a stable and sustainable basis we need many more such companies, big and small, and we need more of them to be successful and to keep expanding.

However, the recent performance of the Nova Scotia economy in terms of overall enterprise start-ups has not been positive. The graph to the left shows that the number of new firms registering to pay business taxes between 2002 and 2011 averaged 2,800 with ups and downs but no clear evidence of growth over the period.

In summary, the significant turnaround in the Nova Scotia economy that the Commission feels is necessary will require much stronger business growth than we are now seeing in the province. We need more start-ups and, in the larger scheme of things, it does not matter whether they are goods producers, service sector firms, or creative sector enterprises. And their size doesn't matter or whether they are conventional private businesses, or co-operatives or social enterprise. We just need them to grow, employ more people and participate in out-of-province trade.



Concluding Comment

In reflecting on Nova Scotia's history and current circumstances we might observe that the periods of population growth and economic dynamism in Nova Scotia shared certain characteristics — they were times when our business, government and community leaders pursued broadly shared goals, embraced change, welcomed new people, reached out to the world and took risks. Conversely, our periods of slower growth have been more often characterized by risk avoidance, isolation from the wider world and parochial competition. The same contrast might today apply to different sectors of the economy, different types of business enterprises and different communities: some embrace change, growth and collaboration while others are reluctant to risk what they have or to stray from the beaten path.

If Nova Scotia's economy were performing well today in providing jobs, sustaining communities and supporting high quality public services, the wise advice would be to stay the course and avoid major changes. But this is not our situation, nor does the future outlook promise relief. The Commission has concluded that the economic and population challenges we now face in Nova Scotia, and dramatically so in our rural regions, demand new vision, innovative approaches, greater collaboration and a greater willingness to take on the risks associated with economic change and progress.





Assets and Opportunities

On the basis of the evidence the Commission concludes that over the next decade or more Nova Scotia will be significantly reshaped, for better or for worse, by what happens in two interdependent areas, population and economy. The current trends in both areas are challenging for the province as a whole but much more so in many of our rural regions. The current situation is not unlike the crisis in the 1920s when rapid de-industrialization in Nova Scotia, simultaneous with a booming economy in central Canada and the “Boston States”, led to large-scale out-migration of working age people and plunged the province into persistent have-not status.

While the current trends are largely negative, the future outcomes are not fully determined. If the province continues on its current path many communities will experience a declining standard of living as the economy shrinks and people, businesses and services increasingly concentrate in our central urban region. The scope for government to counter these trends, while grappling with expanding pressures on health and social services, will be progressively narrowed by weakening tax revenues and unsustainable levels of public debt.

If, however, the province is able to pursue a different path – one that embraces change and renewal, and builds on its assets and opportunities – it may be possible to stabilize economic and population trends and then, gradually, to start building a much more positive future.

These assets and opportunities are substantial and clearly sufficient to support a significant economic turnaround if developed or pursued effectively. Key examples are:

An improving macroeconomic outlook

After a decade of macroeconomic trends being generally negative for Nova Scotia – e.g., the high Canadian dollar, the Great Recession in the U.S., low natural gas prices,

reduced tourism travel after 9/11 – Nova Scotia may now be entering a more positive period. The dollar has retreated to the 90-cent range with expectations of further shrinkage over the next year, and natural gas prices have recovered just as production from the offshore hits a modest upswing. With economic recovery gaining momentum in the U.S., continuing growth in Asian markets, and free trade with Europe on the horizon, the prospects for Nova Scotia’s export industries are more promising than they have been for some time. The challenge for Nova Scotia will be to exploit these opportunities to build the stronger economic foundations for stability and growth beyond this next up-cycle. Nova Scotia has a history of successful entrepreneurs who have seized such opportunities in the past to build world-leading businesses throughout the province. These capacities are evident today in our many high performing and innovative business enterprises. However there are just not enough of them at this point to turn the tide.

In terms of our financial, economic and employment stability, the rise of the global East and South is hugely beneficial to the West. Economist Homi Kharas predicts that the size of the global “middle class” — those earning \$4,000 to \$36,000 a year — will rise from 1.8 billion people now to 4.9 billion in 2030. Two-thirds of them will live in Asia, and only a fifth in the West.

This will mean greater consumer choice and a lower cost of living. But it also means huge new markets for Western businesses. Starting this year, for the first time China will be importing more goods than the United States does. More than half of the world’s exports are currently imported by the developing world.

Columnist Doug Saunders, Globe & Mail 1/18/14

The value chain for the [Nova Scotia] food industry moves well beyond direct goods production to encompass many other products and services that are generated as food products move through various stages of production to reach consumers. This includes distribution through wholesalers, distributors and retailers; infrastructure, transportation and storage systems; as well as marketing, research and other consultant services. Beyond its direct output, the food sector is estimated to contribute a further \$1.1 billion in indirect and induced spending in the province's economy, for a total contribution of \$2.2 billion.

The rapid growth of emerging economies in Asia is expected to transform the global food industry over the next decade. ... It is estimated that the world will require 50 % more food to meet the increase in demand.

Global Opportunities for Nova Scotia's Food Industries.
APEC Report for ONE Commission, January 2014

APEC's 2013 Major Projects Inventory identified a record \$115 billion worth of major investment projects in various stages of development across Atlantic Canada, with the total project value up 15% over last year's MPI.

The 30th edition of the MPI, which was released in June 2013, catalogued 388 major investment projects in various stages of development across Atlantic Canada ... New announcements in the past two years include an escalation in the estimated costs of several projects in Newfoundland and Labrador, along with the awarding of the national shipbuilding project to the Halifax Shipyard plus a proposed LNG export plant in Nova Scotia. An expansion in Nova Scotia's offshore oil and gas exploration, new mining projects including an underground nickel mine in Labrador and the potential for an east-west oil pipeline into New Brunswick are also adding to the region's pool of investment. In the past year, investment has strengthened in Atlantic Canada with current-year spending on major projects up about 5% to \$14.3 billion... and in Nova Scotia, up 10% to \$3 billion.

*Major Projects in Atlantic Canada and their Impact
on the Halifax Gateway,*
Atlantic Provinces Economic Council
September 2013

Regional Capital Projects

The more than \$100 billion in major capital projects now taking shape across the Atlantic region, including the \$25 billion naval shipbuilding contract, the Muskrat Falls and Maritime Link energy projects and new offshore energy development, hold potential to generate higher value jobs and spin-off business growth and diversification in the region. Among other things, these developments taken together hold potential to draw skilled labour back to the province for full and rewarding careers.

An Excellent Post-secondary Education (PSE) System

The universities and the Nova Scotia Community College represent one of Nova Scotia's greatest comparative advantages. These institutions are major employers in their communities, they generate the lion's share of research and development activity in the province and they increasingly function as an export sector with growing numbers of out-of-province and international students. A 2011 report by Gardner-Pinfold Consulting Economists, *The Export Value of Nova Scotia Universities*, attributes \$840 million in annual export revenue to Nova Scotia's degree-granting institutions. Several new employers in financial services, ICT and other knowledge-driven industries have recently located in Nova Scotia specifically because of the capacities of the college and university system to supply necessary talent.

Nova Scotia is home to ten universities including some of the oldest in Canada – that are diverse in size, location and spanning missions that range from primarily undergraduate (Acadia University, Cape Breton University, Mount Saint Vincent University, Saint Francis Xavier University and Saint Mary's University, and University of Kings College) to a medical/doctoral research university (Dalhousie) to more specialized institutions (Atlantic School of Theology, Nova Scotia College of Art and Design University, and Université Sainte-Anne). Nova Scotia is also home to the multi-campus Nova Scotia Community College (NSCC) that has recently transformed itself into one of Canada's leading applied and technical colleges. The Commission believes that Nova Scotia, not unlike Massachusetts, should view its high concentration of universities and colleges as a fundamental asset in growing our economy. There are two important dimensions to this perspective that warrant particular attention.

Firstly, it is essential that our PSE institutions maintain a competitive position that is primarily driven by quality. Over the past several decades, Canadian higher education has

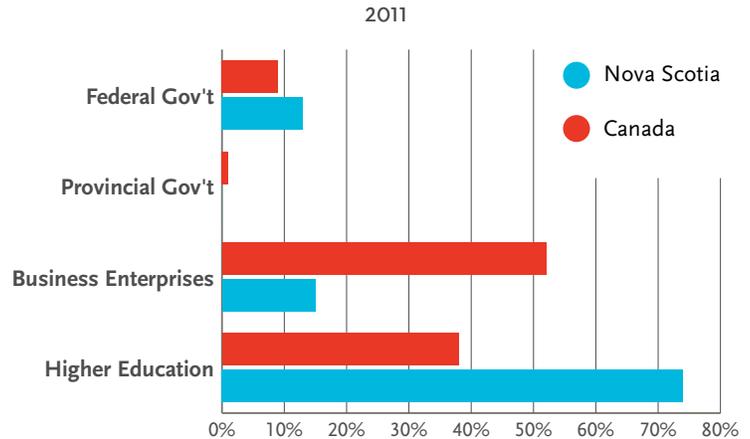
become increasingly competitive and qualified students have an unprecedented level of choice for their college or university education. Nova Scotian universities have fared well in this environment and currently rank first in Canada in terms of the percentage of students who come to the province from other parts of Canada. Our province also needs NSCC to continue its strong results — 86% employment six months after graduation, 94% in Nova Scotia - in delivering on its legislated mandate to address current and future labour market needs.

In addition, international student enrolment increased by 122% from 2002-03 until 2012-13. While the shrinking population of young people in the province is a challenge in the near-term, our universities have had considerable success in attracting highly talented men and women from around the world to come to study in Nova Scotia. These students not only build the academic vitality of their respective institutions but they also live in, and contribute to, communities throughout our province. Many of these out-of-province and international students represent a potential pool of talent for Nova Scotian businesses and, given our pressing demographic challenge, a potential source of significant population growth.

The second major contribution of our PSE sector occurs through research and development where there is potential for expanded collaboration and partnership among institutions and with government and the business sector. In 2012, the universities together generated \$170 million in research funding, more than four-fifths of it at Dalhousie, the leading research university in Atlantic Canada. In fact, university research in Nova Scotia forms a disproportionate percentage of the total provincial R&D as compared to the Canadian average. In 2011 our higher education system accounted for 74% of all R&D expenditures in Nova Scotia versus 38% for Canada as a whole. Private business generates more than half of this spending in Canada but accounts for only 15% in this province.

If Nova Scotia is to expand its business base and be more productive and competitive, we need more private sector investment in R&D and we need to improve the mechanisms to allow university-based research to contribute to new venture creation. There are signs of progress on this front. Springboard Atlantic has been effective at increasing research commercialization and the provincial innovation voucher program has grown to 255 partnerships between business and universities

Spending on Research and Development by Performing Sector



Source: Cansim Table 358-0001

and NSCC. However, given Nova Scotia's peculiar R&D landscape with its heavy reliance on university-based research, it is imperative that we optimize our technology transfer and commercialization processes.

Untapped Potential for Resource Development and Renewable Energy

Canada's economy has fared relatively well since the Great Recession in 2008/09 due to two key factors: our sound banking system and growing global demand for energy and mineral resources and agricultural commodities. Nova Scotia has not benefited as much from this strong trade environment due to our over-reliance on the one U.S. market for our exports in forestry, pulp and paper, fisheries and other sectors. As the recovery gathers momentum in the U.S. and Europe, and as access to Asian markets continues to improve, there will be significant opportunities for Nova Scotia firms to boost exports and to add greater value to our primary products. In particular, the free trade agreement with Europe offers new opportunities for fisheries and other sectors.

On the energy side, France, Scotland and Korea, among other countries, are well down the road in incorporating marine tidal energy into their electricity generation systems, and they have a head start on many aspects of this emerging industry. However they lack one major advantage that Nova Scotia has – the Bay of Fundy. While the immense potential for Fundy tidal

Membertou and Millbrook First Nations are recognized throughout North America as leading innovators in economic development.

Membertou has employed strategies like achieving ISO 9001 certification and opening offices in Halifax to generate new business partnerships with the private sector. This First Nation has successfully established numerous business initiatives including a trade and convention centre, gaming facilities, a restaurant and heritage centre, a hotel, a data centre, a commercial fishing operation, and business centres for offices, retail units and an insurance company. Revenue from these activities is used to develop other businesses and new employment opportunities. Over the past 20 years Membertou has increased its gross revenue from \$4 million to \$110 million and its employees from 37 to 531. Today, employment rates are high and high school graduation rates are higher than the national trend.

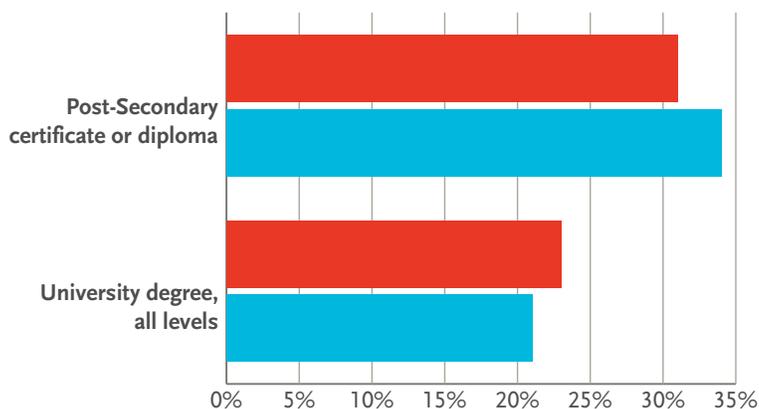
Millbrook, a central Nova Scotia First Nation, has also achieved impressive economic development success, with 65% of annual administrative and operating expenses being self-funded. The Truro Power Centre is a major asset involving partnerships with non-Aboriginal businesses. Established in 2000, it is now home to a movie theatre, a hotel, several retail businesses and an on-shore aquaculture facility. The Band also has a real estate development in Cole Harbour, a port facility in Sheet Harbour, and has invested in several off site business ventures. It also incorporated Millbrook Technologies in 2007 to take advantage of opportunities in the growing market for online programs in education and training. Millbrook is the first Mi'kmaw community to have a wind energy project approved under the NS COMFIT program.

energy is attracting outside investor interest, the key issue is whether Nova Scotia manages the process in such a way as to assure industrial spin-offs and optimal long-term wealth generation for the province. With our substantial capacities in the province for research and development, advanced manufacturing and shipbuilding, there is potential not just to earn royalties from another foreign controlled resource extraction operation, as has happened so often in the past, but to build a new, locally based industrial sector to export technology and intellectual property that has been developed here. And with wind projects and expanding hydro-electrical power from Newfoundland & Labrador, supported by an upgraded regional grid, there is potential for Atlantic Canada and Quebec to become the green energy powerhouse for the continent.

A Skilled Workforce

While there are concerns about the aging population, and about out-migration of educated youth and skilled workers, it is nevertheless the case that Nova Scotia compares well with other Canadian provinces in terms of workforce education and training levels. Over half the workforce has a trade certificate or college or university qualification, slightly better than for Canada overall. The labour force in the traditional rural industries tends to have less formal training but maintains a repertoire of specialized competencies required by seasonal primary production activities. There is substantial anecdotal evidence to suggest that many skilled workers who have migrated to other provinces still maintain strong family and community ties here and will return when the employment opportunities improve.

Educational Attainment, Population 15 Years and Older
Canada and Nova Scotia, 2013



Source: Statistics Canada, Labour Force Survey Estimates, Table 282-0004

Progress for Disadvantaged Groups

Minority communities and disadvantaged groups are themselves providing new leadership and significant initiative to address Nova Scotia's economic and demographic challenges. Some of the most exciting economic development successes in rural Nova Scotia and industrial Cape Breton are being generated by First Nations as they leverage their land and resources to build new enterprises and provide employment opportunities for their youth. These projects often involve innovative partnerships and collaboration with surrounding communities, non-First Nations businesses and wider industry groups in sectors such as tourism and hospitality, fisheries and commercial real

estate. African Nova Scotian entrepreneurs are building many successful businesses and also mentoring youth and new start-ups in their communities. And much impressive work has been done by community organizations to build social enterprises and provide expanded training and employment support for women, older workers, at-risk youth and people with disabilities.

Significant Progress on Innovation

Despite lower per capita investment in business-led research and development in Nova Scotia compared to other parts of Canada, there has been real progress in recent years in building capacities for innovation and trade competitiveness. To take one key example, strong partnerships between business, universities and government have facilitated the emergence of a highly innovative and export-driven oceans sector that participates in an estimated \$3 trillion annual global trade in ocean-related goods and services, a market that has more than doubled in the past decade.

With over 450 PhDs, 200 companies, one-third of research and development in the province and some \$500 million in annual revenues, the ocean technologies sector employs significant numbers of highly skilled workers, develops and exports proprietary technology globally, and attracts investment from the US, Europe, and increasingly from Asia. Similarly Nova Scotia's burgeoning information and communications technology (ICT) and digital media sector now employs over 19,000 people working in 600 companies. With global ICT spending expected to grow at 4% annually to \$3.7 trillion by 2017, there are significant growth opportunities in a sector where the wages are 50% higher than the provincial average. Nova Scotia's biotechnology and health informatics sector is also built on R&D, innovation and entrepreneurship, with some 3,000 people working for more than 50 companies, marketing 500 products globally and with another 300 products in development.

Our most significant innovation gap is in resource industries such as seafood, agrifood, forestry products and clean technology where we should have competitive advantages, but where R&D activities are still primarily supported by government with insufficient industry participation.

Some of Nova Scotia's fruit growers are at the leading edge of product innovation. Scotian Gold for example has been steadily moving away from traditional commodity apples such as MacIntosh and Cortland, and moving into new sweeter varieties such as Honeycrisp and SweeTango to satisfy growing customer demand locally and in export markets. Their newest product is Sonja. Premium apples grow well in Nova Scotia due to the cooler climate, and offer margins that are higher than conventional varieties. Successful firms in the food sector are now innovation focused, requiring the same types of support as other technology focused enterprises: a highly skilled labour force, access to leading edge research and support to reach out to new markets. Supporting these activities and encouraging smaller firms to partner and follow the industry leaders could bring significant benefits to the province's economy over the long term.

Global Opportunities for Nova Scotia's Food Industries.
APEC Report for ONE Commission, January 2014

Expanding Creative Enterprise

Recent studies link the arts, culture and the creative sectors to positive impacts in employment, community development and social inclusion and well-being. Nova Scotia's creative industries — film and television, music, publishing, fine art, production craft, interactive media and performance for the purposes of exporting — have grown significantly in recent years.

In 2009, they and the broader culture sector contributed \$871 million to the provincial economy, a 66% increase from 2001. These numbers reflect the dynamism and breadth of the sector, as well as the depth of the local creative industry supply chain. The creation of Film and Creative Industries Nova Scotia in 2012 reflects the acknowledged and growing importance of creative industries to the province, and the need for a more strategic approach to grow the sector.

Great Places to Live

The loss of workers to other provinces is continuously offset to some extent by an inflow of people coming to Nova Scotia simply because they want to live and often to locate businesses here. With greater flexibility in federal government immigration policies, and a willingness of communities to embrace new residents no matter where they come from, we have real potential to increase that inflow. Many



business enterprises today can locate any place where they have good transportation and communications infrastructure. With these attributes, combined with relatively low housing costs, stable communities, quality public services, and an attractive and accessible natural environment, it should be possible to attract substantially more entrepreneurs and other new residents from other parts of Canada and beyond.

Trade and Transportation Infrastructure

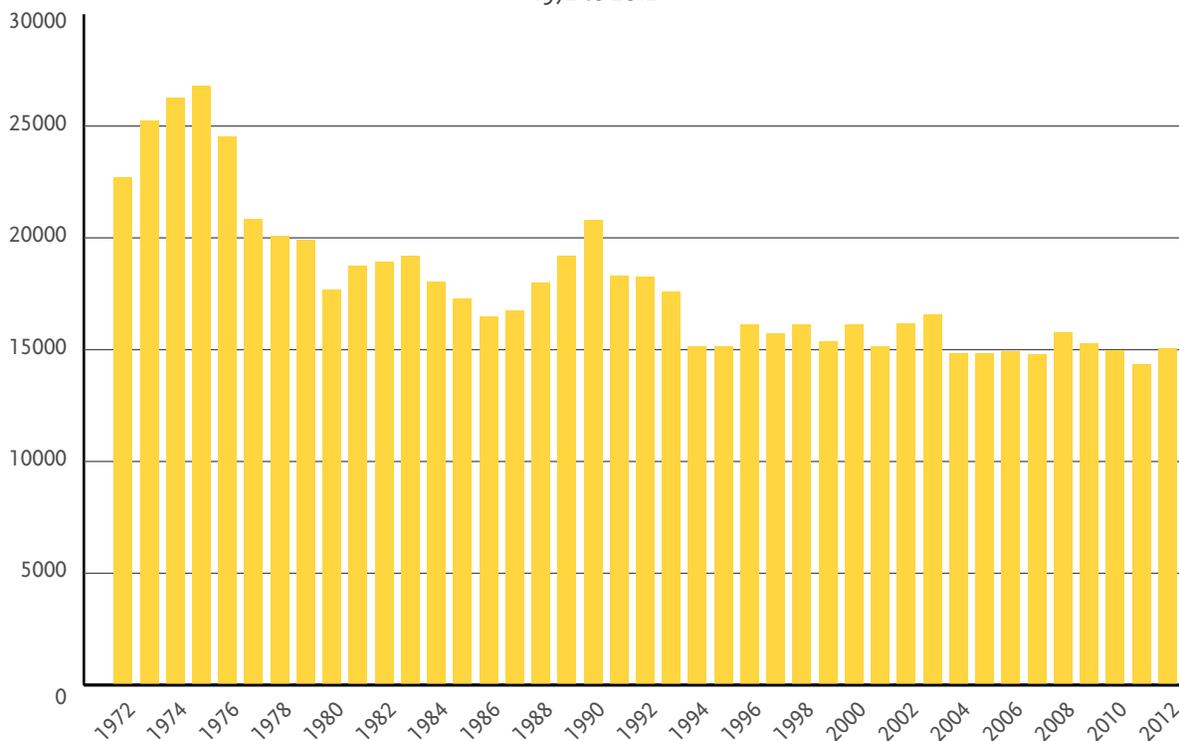
With its strategic location on world trade routes, its existing port infrastructure, and potential to diversify activities in excellent but underutilized natural harbours in Shelburne, the Strait area and Sydney, there are opportunities to expand Nova Scotia’s marine transportation economy to keep pace with the recovery of global trade volumes. In the context of shifting federal government policies on management of major ports, the development of effective governance for harbours in Sydney and the Strait would assist in leveraging these valuable assets. The Halifax Stanfield International Airport and the Port of Halifax represent major assets with potential to add significant value to wider economic development and trade expansion strategies.

Proven Capacities for Community Leadership and Collaboration

While parochialism, disorganization and sectoral division continue to be challenges, there are many good examples where communities and competing groups have set aside differences and collaborated in pursuit of mutual goals.

The many significant achievements of community economic development and social enterprise groups across the province are indicative of what can be done when leaders in different sectors put their heads together to change attitudes and build better future from the ground up. From New Dawn and Development Isle Madame in Cape Breton, to active employment support agencies and non-profit housing groups in Halifax, to the Flower Cart in the Valley, to the All Hands on Deck initiative in Yarmouth, and many, many others — Nova Scotia has a strong base of leadership organizations that can contribute significantly to wider economic development strategies. At the provincial level we have the exemplary Community Economic Development Investment Fund (CEDIF) and ongoing collaboration between the Department of Economic and Rural

Interprovincial In-Migration – Nova Scotia
1972 to 2012



Source: Nova Scotia Department of Finance

Development and Tourism and the Nova Scotia Co-operative Council to provide investment and credit support for small business and other economic development initiatives.

Another excellent example is the Cape Breton Partnership, “formed in 2004 with an aim of instilling ownership, confidence and pride to enhance prosperity in Cape Breton and the Strait Region.”⁹ It maintains formal partnerships with the three Chambers of Commerce in Cape Breton and has 150 member investors in 3 levels of government, the business community and non-profit organizations. Its most significant achievement to date is the Cape Breton Island and Mulgrave Prosperity Framework, a comprehensive economic development plan for the region that sets four over-riding goals:

1. Pursue updated economic development strategies for the entire region, with a focus on growth sectors and value-added components of existing sectors.
2. Align the Strategic Framework with the provincial and federal economic strategies.
3. Collaborate with Cape Breton-Mulgrave’s principal economic development partners in the pursuit of updated strategies with provincial and federal plans, and fill gaps in economic development programming, particularly as they relate to human resources and entrepreneurship development.
4. Facilitate and monitor the net creation of new jobs on an ongoing basis.

Another area of effective community leadership and collaboration is the Welcoming Communities initiative. Truro and Colchester County have enjoyed one to two percent population growth over the past decade but local employers were still having difficulty meeting their workforce needs. For over a decade the Colchester Regional Development Agency (CORDA) has been working to attract newcomers from the rest of Canada and the world. Connections made at international immigration fairs were actively followed up and CORDA helped potential new residents make connections with local employers, schools and real estate agents while on exploratory visits. Once they arrived newcomers received assistance with moving in, introductions to neighbours, and guidance with job search. The results were a win-win for both the immigrants and employers and many newcomers cited this support as the main reason for their location decision.

In 2012, Truro was the third top immigrant destination in Nova Scotia, behind only Halifax and Dartmouth.

The key lesson here is that communities, businesses and other local interest groups will respond to the challenge of change and development in situations where there is strong leadership, a clear vision and effective planning that links collaborative actions to larger goals for mutual benefit.

Spreading Impacts of Growth of Halifax

Halifax is emerging as the largest and most influential urban centre in the Atlantic region with new investment flowing into creative enterprises, financial services, ICT firms, oceans science and other key sectors. If wisely planned and managed, this growth will generate positive linkages and spread effects for other areas of the province. Adding impetus to Halifax’s economic dynamism, the shipbuilding project promises an infusion of jobs and business activity over its 25-year lifespan. The project will generate business opportunities along the supply chains for research and development, and represents an opportunity for Nova Scotia to become a world leader in shipbuilding, aerospace and defense, oceans technologies and related industries. Equally importantly, private sector expansion in the city may over time generate pools of local capital available for other investments in the region, helping to overcome the longstanding challenge of inadequate capital formation.

Halifax’s Robert L. Stanfield International Airport is Atlantic Canada’s gateway to the world. It is the region’s principal full-service airport providing passengers and cargo clients with access to markets across the country, the United States and Europe, and the only airport in Atlantic Canada to offer U.S. preclearance, and Canada Customs services on a 24 hour, seven day a week basis. The Airport is a major economic, fiscal and employment generator valued at over \$1.2 billion to the provincial economy, [and] welcomes almost 3.5 million passengers annually. Cargo growth is a key strategy ... The runway extension now allows wide-body cargo freighters to operate at full capacity with the resulting benefits to all exporters; especially seafood exporters who had to truck product to Boston or New York for export to international markets.

Halifax Stanfield International Airport
<http://hiala.ca/airport-authority/who-we-are/>

⁹ www.capebretonpartnership.com/site/partnership/mid/9/about



In 2012, Halifax's real GDP was over \$15 billion for the first time, accounting for 54.6% of the total value of goods and services produced in Nova Scotia.

The Greater Halifax Partnership — The Halifax Index 2013

Economic Development Services

The Nova Scotia government spends over \$170 million annually on direct economic development programs and services, and manages loans and investment portfolios totaling some \$800 million.

The federal government, through ACOA, invests approximately \$70 million annually in Nova Scotia businesses and communities, of which some \$15 million goes to research and development through the Atlantic

Innovation Fund (AIF). The Three levels of government funded the Regional Development Authorities (RDAs) for many years, and after the withdrawal of federal funding, the province and the municipalities are now working to establish Regional Enterprise Networks (RENs) with a greater focus on business start-ups, retention and growth.

There is no question that improvements can and should be made in policies and programs, and that the activities of the many agencies should be better coordinated and aligned. But clearly the poor performance overall of the private sector economy in Nova Scotia is not caused by inadequate government supports for growth. When investors come forward with solid proposals and business plans the support is very likely there. And when businesses succeed, the capacities of the Jobs Fund, Innovacorp, Nova Scotia Business Inc and many other agencies to support new enterprises grows with them.

NS Government Spending, Investment & Lending in Economic Development, Workforce Development and Resources Fields — 2012-13
(In \$ Millions)

	Departmental Spending	Loans Portfolio	Investment Portfolio
Agriculture	\$64		
Economic, Rural Development & Tourism	\$172		
Energy	\$29		
Fisheries & Aquaculture	\$9		
Labour & Advanced Education	\$345		
Assistance to Universities	\$381		
Natural Resources	\$99		
Agricultural & Rural Credit		\$171	
Fisheries Development		\$101	
Nova Scotia Business Inc. (NSBI)		\$60	\$48
Innovacorp		\$4	\$23
Jobs Fund		\$278	\$32
Market Development initiative Fund		\$4	
Strategic Opportunities Fund		\$75	
Perennia Food & Agriculture Inc		\$0.1	\$0.7
Total	\$1,099	\$693	\$104

Source: Nova Scotia Public Accounts 2012—13

In summary, we have more than sufficient assets, resources and capabilities to turn things around in Nova Scotia, but will we succeed? The Commission believes that a passive, unfocussed and uncoordinated response to these opportunities will not be sufficient to reverse current trends and to improve significantly Nova Scotia's economic and population prospects. A concerted, province-wide and sector inclusive commitment to economic growth is required.

The states and nations that have had greater success in navigating the globalized economy – the Scandinavia countries, Scotland, Australia, to name a few – are generally characterized by traditions of social solidarity and broad societal consensus on the goals and strategies for ongoing economic innovation. They are able, in effect, to undertake national projects to restructure their economies, reallocate resources to new priorities, and implement broadly shared agendas for change and renewal. The different regions and stakeholder groups actively commit to pursuing their sectoral interests through advances at the level of the whole society.

But we are not a nation state with our own currency. As a smaller jurisdiction there are many things that impact on our economy that we in Nova Scotia simply cannot control – currency values, international trade agreements, world energy prices, or American demand for lobster and two-by-fours. These are all factors that require continuous adaptation and innovation. But if we are to advance, our best option is to focus our main energies on the things we can control, to shape them to our purposes.

First among these are our attitudes and our relationships with each other. Change in a society begins with leaders who are confident about the future, provide vision and new ideas, and demonstrate the choices and behaviours that bring better outcomes. Being respectful of each other, expressing trust in our institutions and in our fellow leaders in different fields, and avoiding parochial and unduly partisan considerations, are crucial starting points.

WE ARE NOT A NATION STATE WITH OUR OWN CURRENCY. *As a smaller jurisdiction there are many things that impact on our economy that we in Nova Scotia simply cannot control — but if we are to advance, our best option is to focus our main energies on the things we can shape to our purposes: our **ATTITUDES and RELATIONSHIPS, our GOVERNANCE STRUCTURES and RESOURCES, and our DECISION-MAKING** in pursuit of **ECONOMIC GROWTH.***

A second thing over which we have significant control is our own governance structures and the allocation of our own resources for economic development. We can do better at planning and decision-making on our investments of money, time and expertise in pursuit of economic growth.

Such efforts will require an attitude shift and greater discipline and focus by leaders in all sectors. That is the starting point. For those who are prepared to reshape their actions to serve the interests of the entire province — not just their firm, their institution, their organization or their community — this is the time to come together to build a vision for a better future, and to work together to achieve it.





New Goals for Nova Scotia

A Shared Vision for Our New Economy

The essential message to be drawn from the analysis set out above is summed up in the well-worn cliché, “the status quo is not an option”. Nova Scotians need to find agreement on a different path if we are to avoid accelerating population decline and deepening economic stagnation. We have the assets and opportunities to succeed, but we must first, as a province, commit to the project.

How does a province, with its complex social make-up and diverse regions and sectoral interests, go about choosing a different path? What follows are proposals for goals and new policy directions to accomplish such a change. They are addressed to the Nova Scotia public and its leaders from all sectors.

The most basic and essential transformation that the Commission proposes is that we in Nova Scotia reinvent ourselves. The goals and policy advice set out below anticipate a near future — within a decade — when we will have come to know ourselves, and be known in Canada and beyond, as a progressive and dynamic province that embraces change and renewal — a province that is prepared to take risks with the confidence that it can manage them wisely, and that is eager to collaborate and partner among ourselves and with others in the Atlantic region and beyond to compete in global markets.

We will have learned to manage change through trust, collaboration and authentic engagement. We will have harnessed our significant capacities for learning and problem solving through dialogue, research and expanding cooperation among our diverse communities and economic and institutional interests.

We will have become a province that is energized by the enthusiasm and creativity of our youth in schools and on college and university campuses, and by the determination

How does a province, with its complex social make-up and diverse regions and sectoral interests, go about choosing

A DIFFERENT PATH?

and entrepreneurship of new immigrants, First Nations and disadvantaged communities who are finding in Nova Scotia the freedom, resources and community support to realize their aspirations.

We will have re-discovered the best of our entrepreneurial and trade-oriented history to create an attitudinal climate where enterprise creation is valued and promoted as an achievable goal for Nova Scotians. Our entrepreneurs and their employees will share a competitive spirit that relishes taking on the world in their individual firms and contributing to shaping a Nova Scotia brand that is bold, confident and driven by excellence.

Our governments, our strategic institutions in education, health and social services, and our community organizations will be efficiently structured and aligned to shared goals for economic growth, social and cultural advancement and environmental sustainability. Our business and industry organizations will be providing leadership across sectors and in the wider community to build the rising tide that lifts all boats.

We will have become a province that our own skilled and ambitious people feel no necessity to leave, that people who have left in the past are able to return to, and that other Canadians and international immigrants will want to come to for the excellent quality of life and economic opportunities.

This is our vision for our new economy in Nova Scotia.



*If, in the depths of the Great Recession in 2008, someone had predicted that by 2013 two young **CAPE BRETONERS** would have sold their **SOFTWARE PRODUCT** to a California company for **\$70 MILLION**, that a local **SHIPYARD** would have won a **\$25 BILLION CONTRACT**, that **NOVA SCOTIA VINEYARDS** would have **INCREASED PRODUCTION BY 50%**, that the province would be home to the world's largest processors of **SEAFOOD** and of **BLUEBERRIES**, that a higher proportion of out-of-province university students would be studying in Nova Scotia **THAN IN ANY OTHER PROVINCE**, and that Inverness would have the **42nd BEST GOLF COURSE IN THE WORLD**, would most Nova Scotians have believed them?*

Quite possibly not. Fortunately, the people who made all these things happen did not think that way.

Goals for Transformation

In the simplest terms, to build a better future Nova Scotia has to reverse current population trends and generate higher levels of economic growth than we have achieved over the past decade or more.

In facing a challenge of this scale it is often difficult to know where to start. Such discussions often generate a lot of abstract language about innovation, productivity and competitiveness without identifying what these things might actually look like in practical terms in our specific situation. And efforts to design strategies can get bogged down in complex processes to sort out the timelines, resource needs, sequencing of tasks and the allocation of responsibilities among the many institutions, groups and individual who have to contribute.

One way to get past these initial hurdles is to set a limited number of ambitious but concrete targets that everyone can understand and orient their decision-making and behavior towards. Such goals need to be sufficiently challenging to convey the necessity for concerted efforts and new approaches. To motivate and generate buy-in, the goals should also promise outcomes that clearly benefit all sectors and regions. It should be possible to track progress towards these goals using concrete and unambiguous measures. And the time horizon should be long enough to accomplish significant transformations, but still be achievable in a foreseeable future.

To set the process in motion the Commission is proposing the following goals to guide the development of a ten-year action plan for economic transformation and renewal in Nova Scotia. It is assumed that more in-depth analysis, consultation and refinement will be required before they are formally adopted. The core assertion here is that goals of this challenging nature are needed to orient and motivate leaders and lead organizations in business, labour, government, strategic institutions, First nations and communities across Nova Scotia to join in a province-wide effort build a better future for the province.

POPULATION GOALS

It is a simple fact: unless Nova Scotia first stabilizes its population base and then begins to increase the population of working age people, it will not be possible to sustain current levels of economic well-being across the province, let alone improve them. In practical terms, there are only two ways to grow the population significantly over the medium term: expanded international immigration and substantial net inflows from inter-provincial migration. The following are measurable goals for the achievement of these two outcomes by 2024.

GOAL 1: INTER-PROVINCIAL MIGRATION

Nova Scotia will be averaging a net gain of 1,000 working age persons per year. (Over the past 10 years the province has lost an average of 800 persons per year because of net outmigration).

GOAL 2: INTERNATIONAL IMMIGRATION

With the cooperation of the federal government, Nova Scotia will be receiving annually its proportionate share (2.7%) of all new international immigrants to Canada, i.e., approximately 7,000 new permanent residents per year. (The current 5-year average is 2,400 per year).

GOAL 3: RETENTION OF INTERNATIONAL STUDENTS

An annual average of 10% of foreign students graduating from Nova Scotia universities, the Nova Scotia Community College and other education and training bodies will be making choices to become permanent residents of the province (i.e., roughly double the current rate).

ECONOMIC DEVELOPMENT GOALS

There are clear indications that the macro-economic climate in Canada and internationally will improve over the next few years. In addition, capital investment is expected to surge in the province with the naval ships contract and large-scale investments in commercial construction and energy projects, generating more high-value jobs. The challenge is not just to ride the cyclical upswing but to take advantage of these conditions to correct deeper structural problems including the shrinking value of trade, the low number of businesses generating exports, an uncompetitive labour market, inadequate commercialization of research and development, and insufficient labour force training.

The following are goals to be achieved by 2024 to meet these economic development challenges.

GOAL 4: BUSINESS START-UPS

The Nova Scotia economy will be generating 4,200 new business start-ups per year, a 50% increase over the current 10 year average.

GOAL 5: VALUE OF EXPORTS

Nova Scotia will have increased the total annual value of exports (international and inter-provincial), currently in the \$14 billion range, by 50% to exceed \$20 billion.

GOAL 6: FIRMS PARTICIPATING IN EXPORT TRADE

The number of Nova Scotia firms participating in export trade will have increased by 50% over the current level of 850.

GOAL 7: LABOUR FORCE PARTICIPATION RATE – NOVA SCOTIA

Nova Scotia will have a labour force participation rate at least as high as the Canadian rate, bringing more than 25,000 Nova Scotians into permanent attachment to the labour market. (The Nova Scotia rate is currently 63.4% compared to the Canadian rate of 66.4%).

GOAL 8: EMPLOYMENT RATE – FIRST NATIONS AND AFRICAN NOVA SCOTIANS

The employment rate (i.e., percent of the working age population currently employed or “officially unemployed”) for First Nations and African Nova Scotians will be equal to the provincial average. (The rate is currently 62% for African Nova Scotians and 53% for First Nations people, compared to the provincial rate of 68%).

GOAL 9: YOUTH EMPLOYMENT

Nova Scotia’s youth unemployment rate (currently 19.5%) will be at or better than the national rate in that year (currently 14.0%).

GOAL 10: POST-SECONDARY EDUCATION AND TRAINING

The proportion of Nova Scotia’s working age population with a post-secondary certificate, diploma or degree, including apprenticeship completion, will have increased from the current 55% to 65%

GOAL 11: UNIVERSITIES RESEARCH AND DEVELOPMENT

Through both individual initiative and expanded collaboration, and with support from government, Nova Scotia’s universities and the Nova Scotia Community College will have doubled research funding to total \$360 million



GOAL 12: RESEARCH AND DEVELOPMENT PARTNERSHIPS

The number of research and development partnerships between business enterprises and Nova Scotia universities and the Community College will have doubled from an average of 1,000 per year to 2,000 per year.

GOAL 13: VENTURE CAPITAL

The five-year average for per capita venture capital investment, which was \$24.80 over the 2007 to 2011 period, will be equal to or better than the Canadian average (currently \$41.10).

GOAL 14: TOURISM EXPANSION

As Nova Scotia's leading source of service sector exports, gross business revenues from tourism will reach \$4 billion (approximately double the current level).

GOAL 15: FISHERIES AND AGRICULTURE EXPORTS

The value of exports from the fisheries (including aquaculture) and the agricultural sectors will each have doubled on a sustainable basis. (The report prepared for the Commission by APEC identified current fisheries and seafood exports valued at \$860 million and agricultural exports at \$240 million).

GOAL 16: DOMESTIC MARKETS FOR AGRICULTURAL PRODUCTS

The value of agricultural products produced for, and consumed within, the Nova Scotia domestic market will have doubled. The current value is approximately \$230 million.

GOVERNANCE AND FISCAL GOALS

The Commission believes that the ambitious goals set out above are justified by the serious economic and population challenges that threaten our standards of living and public services and the near-future viability of many of our rural and urban communities. Extraordinary measures are called for.

Leadership in pursuing extraordinary measures, and in developing such clear vision, unity of purpose and capacity for action, is first and foremost the role and responsibility of the province's institutions of governance. Significant changes may be needed in how those institutions are structured, and in how they operate, if they are to provide such leadership.

GOAL 17: A PROVINCE-WIDE PLAN TO ACHIEVE NOVA SCOTIA'S NEW GOALS FOR SUSTAINABLE ECONOMIC GROWTH AND POPULATION RENEWAL

By the end of calendar year 2015 the Nova Scotia government, in collaboration with the municipal units, will have put in place, with appropriate legislative supports, a comprehensive development plan with practical strategies to meet the 2024 population and economic renewal goals set out above. Development of the plan will be guided by the following considerations:

- It should be supported by appropriate public and stakeholder engagement.
- Support for the plan from business and labour organizations, strategic institutions, First Nations, lead voluntary sector and community organizations and other levels of government should be formalized in memoranda of understanding and other declarations of partnership and collaboration.
- The plan must recognize that progressive land development can both strengthen our economy and reduce our negative impact on the environment. With the right strategic investments and standards for sustainability, we can optimize benefits for other regions of the province arising from the growth of Halifax, including improved public transportation and development of supply chains and satellite commercial and industrial centres.

GOAL 18: REFORM OF MUNICIPAL GOVERNMENT AND REGIONAL SERVICE STRUCTURES

Once the development plan described above is in place, the provincial government will immediately initiate a comprehensive review of current municipal government structures and of federal and provincial regional service delivery systems, improving efficiency, cost effectiveness and community engagement. This work will be guided by the following considerations:

- Development of the strategy should be supported by appropriate public and stakeholder engagement.
- The review should build on the analyses and advice generated by previous studies and panels, ranging from the Graham Commission through to the recent Towns Task Force, the review panel on Regional Development Authorities (RDAs), the Schools Review Process and the provincial government's consideration of shared services options.
- Prime objectives for restructuring should include:
 - Greater service efficiency and improved “value for money” for taxpayers,
 - A critical evaluation of the fairness, effectiveness and sustainability of the current distribution of service responsibilities between the provincial and municipal levels,
 - Greater engagement of communities with regard to economic development planning,
 - Improved incentives for entrepreneurship,
 - The integration and streamlining of services to business,
 - Reductions in regulatory burden, and
 - The better alignment of tax policies with economic growth objectives.

GOAL 19: FISCAL HEALTH

By 2024 the Province of Nova Scotia's net debt to GDP ratio, which was 36.7% for the year ending March 31st, 2013, will be 30% or less.

It is important to note that all of these proposed new goals for Nova Scotia share two important characteristics:

- They hold real, measurable potential to transform the province's demographic and economic status; and,
- Their achievement demands the commitment and active participation of all sectors of Nova Scotia society — including key leadership groups in business, labour, strategic institutions and communities – and not just government. The goals are formulated to encourage lead groups to identify their roles and potential contributions to the successful pursuit of particular objectives and to come forward with public commitments and practical strategies to do so.

It is clearly government's role to lead and facilitate transformations of this nature, but it can only do so if it has a mandate from the wider public to proceed, and is held accountable to that mandate.

Government, after consultations with lead groups and institutional partners, may choose to revise these goals or add new ones. What should not be lost, however, is the definitive understanding and determination that for any such goal, success will require truly significant (and measurable) progress towards economic and population renewal. Conversely, failure will mean that the province still faces serious risk of continuing decline and instability.





Game Changers

Based on findings from its research and public engagement activities, the Commission has identified 12 new strategic directions, or “game changers”, that will be needed to achieve the proposed new goals for Nova Scotia set out above. They again reflect the seriousness of the challenges and the significance of the positive opportunities that now confront us.

Although some action steps are suggested, these are not presented as detailed recommendations for policy implementation. Rather, they are meant to identify different ways of thinking that will be required if the ambitious goals are to be achieved. They speak to the need for significant changes in attitudes and outlooks across the province, and for innovative policy and programmatic approaches to be adopted by government, business, labour and industry organizations, and lead institutions and agencies. They are not just directed at government, but need to be seriously considered by all other sectors and the general public.

I. A New Politics

The Commission is acutely aware that the overall approach it is advocating represents a significant departure from traditional ways of thinking about economic development in Nova Scotia. It takes this approach out of a firm conviction that the economic and population challenges facing the province call for a sharp change of course.

The achievement of the ambitious goals and targets set out above will clearly require extraordinary effort and a much higher level of coordination and collaboration among business, government and community sectors than has been typical for Nova Scotia. This clearly is not business as usual. Which begs the question: can a transformation of this nature and scale be achieved through politics as usual?

While the active participation of leaders from the private and community sectors and from the other levels

of government is essential, the primary responsibility for leadership and initiative rests with the provincial government. However with 2024 as the planning horizon there could be two or more provincial elections over the period. “Politics as usual” holds the risk that the goals and targets, and indeed the basic commitment to the overall project, could become grist for the mill of partisan competition and electoral swings.

This risk would be heightened to the extent that needed changes generate controversy and division among interest groups. When elected governments make the tough decisions they see as necessary, opposition parties, and also the media, may choose to champion the easier way out even if they don’t have a better option to solve the problem. And to the extent that the general public remains disengaged and risk averse, the easier path may offer short-term political advantages.

The Commission is concerned that continuation of this divided leadership will not serve the province well in its current circumstances. Both the problems we face, and the significant opportunities we need to pursue to overcome them, demand too much innovation and concerted action to be managed by conventional measures and continued muddling through.

Some societies are characterized by relatively high levels of unified purpose and vision and, for them, leadership for long-term, transformative change is expected of the elected government – reference has been made in this report to the recent examples of Scotland, the Scandinavian countries, Australia and others. While the Commission proposes that Nova Scotia work to become this kind of dynamic and purpose-driven province, this is not now our current political culture and we must therefore start from a different place.

There are also examples where, in times of war or other national emergency, democratic states have



suspended the normal processes of partisan politics and sectoral competition to empower coalitions or unity governments to focus all available energies and resources on overcoming the “crisis”. And the business sector has supported such commitments: during World War II a number of senior business leaders volunteered to serve as “dollar a year” advisors to the national government to help plan and coordinate the war effort. Some variation on this option might serve well in the collective effort to turn around our current prospects in Nova Scotia.

The Commission believes that mobilizing an all-party, multi-partite effort to develop a comprehensive economic development plan and to accelerate the restructuring of regional government services and municipal government is essential if we are to achieve long-term economic growth and renewal in Nova Scotia. The chances of success in these initiatives are much diminished if the different political parties, in government and opposition, and the major regional interests and sector groups are all pulling in different directions and not supporting a unified project to turn around our future prospects as a province.

One way to initiate a different politics on economic development would be to establish an all-party committee of the Legislature to put into legislation the new goals and targets for economic and population growth for Nova Scotia. Building on the experience with the Environmental Goals and Sustainable Prosperity Act (EGSPA) in 2007, every effort should be made to achieve unanimity among all parties represented in the Legislature. Such legislation would ideally include requirements for reports to the public on progress made towards each goal or target.

II. Attitude Shift — A Shared Commitment to Growing Nova Scotia’s One Economy

A better future for Nova Scotia, and most emphatically for its rural regions, is not possible unless ways are found to grow the economy at a greater rate than has been the case for the past 20 years or more. And if we are to sustain rural communities and grow the provincial economy as a whole, the province will need more businesses of all types — predominantly private sector but including social enterprises and innovative voluntary sector organizations — to employ more people and generate more wealth.

With federal transfers leveling or shrinking, a heavy debt burden, and very little room to increase taxation rates, the increased revenues our municipal and provincial governments need if they are to maintain and improve economic infrastructure and public services will have to be generated to a much greater degree than in the recent past by growing the economy. The wider public needs to understand and support this imperative by openly addressing current attitudinal barriers to business development and entrepreneurship. Leaders in business, labour, government, communities and strategic institutions need to embrace this challenge and take responsibility for making it happen within their own activities and through expanded collaboration across their different fields of influence and activity.

A new, more dynamic Nova Scotia economy needs growing urban centres that draw in people and capital and push development out to their surrounding regions. It needs well-managed and expanding linkages between cities, adjacent towns and rural regions. To provide impetus and a focus for resolving our urban/rural tensions in Nova Scotia, government and community leaders in rural regions need to pursue greater understanding and more positive attitudes toward the growth of our cities and larger towns, and their urban colleagues need to recognize their dependence on rural regions and economic sectors, and embrace new responsibilities for the development of the overall economy across the province.

Municipal reform is of course an important vehicle for more effectively linking urban communities to their surrounding regions and sharing both the costs and benefits of economic development more equitably. Similarly the Regional Enterprise Network model provides a new and potentially powerful vehicle for coordinating the development efforts of different jurisdictions and generating greater cooperation and policy alignment across the province. An immediate task for rural leaders is to accelerate both areas of development and to become willing partners in building a more focused and unified governance for the province.

For their parts, urban leaders need to undertake to develop and actively support wider planning processes to manage the pace of urban expansion and to optimize economic development, quality of life and environmental impacts on surrounding regions and communities.

III. Strategic Priority on Business Start-ups and Growth-Oriented Enterprises

The logic is inescapable: if the economy is to grow, there must be more enterprises and the rates of business success and expansion have to improve significantly.

To achieve these outcomes, greater priority must be placed on supporting organizations and enterprises that can deliver them. Business leaders and the wider community need to accept that not all businesses are equal in their economic impacts, and that just because an enterprise is small and locally-owned does not mean that it is a more deserving recipient of government support than other firms that hold greater potential to generate more wealth and employ more people over time. By the same token, just because a business or non-profit organization is large and employs a lot of people does not mean that it is significant contributor to innovation and growth in the Nova Scotia economy.

Government and public support should therefore focus to a greater extent on new start-ups and retention/expansion of existing enterprises that hold measurable potential to increase employment and investment and that are aimed at export markets. In a policy context where major growth in government's spending on economic development is unlikely for some time, this approach may require changes in the targeting and eligibility criteria for existing programs and services. For example, the significant funding gap for Nova Scotia companies engaged in new product design and commercialization could be addressed through changes in program design and resource allocation.

The provincial government, in consultation with its economic development partners in the federal and municipal levels of government, the universities, the Nova Scotia Community College, and the business community, could come together around a strategy to increase start-ups of new businesses, and retention and expansion of existing enterprises, whose business models centre on growth, innovation, research and development, and external trade. The elements of such a strategy might include:

- Consideration of new tax measures: the province currently provides an equity tax credit for investments in qualified Nova Scotia small and medium-sized enterprises (SMEs), cooperatives and

Community Economic Development Investment Funds (CEDIFs). The Commission strongly supports Dr. Savoie's recommendation in his 2010 report that the limit be increased from the current \$50,000 maximum to \$250,000.

- The new Start-up NY model could also be evaluated as a way to leverage the substantial R&D capacities of our post-secondary institutions. New York State recently announced a plan to stimulate partnerships between private firms and universities and colleges. Start-up companies locating in incubator sites operated by post-secondary institutions will not pay state or local taxes of any sort for ten years if they create net new jobs.
- Better access to venture capital and other financial instruments is needed to address the current gap in support for late stage commercialization activities of SMEs (e.g. clinical trials, demonstration projects, market testing etc.). Increased funding for the Innovation and Productivity Vouchers program could also be considered.
- The European Union's Rural Innovation and Business Systems program could be reviewed as a way to address challenges for rural enterprises including appropriate business premises, Internet connectivity and development of business networks. It could support local enterprise hubs based on successful models now in place in Lunenburg County, Sydney and Halifax.
- There might also be value in more innovation and entrepreneurship hubs at universities and colleges, including "sandboxes" to support professors and students in developing investor-ready ventures, seed funding, incubator space and classes to support market development, investor readiness and funding, and managing growth.

IV. Renewing Rural Industries

In future, as in the past, the traditional rural industries – tourism, manufacturing, mining, fisheries, forestry and agriculture – will provide the essential foundations for Nova Scotia's rural economy. The basic viability of many of our rural communities hinges on whether these sectors can create more and better jobs and generate more wealth. Some 43% of Nova Scotians live in rural regions and they are in many



ways an underutilized human resource. Government, industry and community leaders need to come together to declare, in the most unequivocal terms, that our traditional rural sectors are essential foundations for the new Nova Scotia economy, now and in the future, while acknowledging that all of these sectors need to be more productive, more innovative and more competitive.

For many years the highest public policy priority for these sectors has been simply to maintain jobs in rural communities. But today we find that many business operators are insufficiently profitable to support the investments in product quality, plant productivity, worker training, and market expansion that are needed to maintain and grow market share. In some sectors it is increasingly difficult to find local workers to take the low-wage and seasonal jobs many employers offer. As a result, young people are leaving rural communities, other countries are out-competing us in the marketplace, and the province is not realizing the full value of our asset base. These business models need to be revised if the province and our rural communities are to escape the current pattern of weak economic growth and population decline.

On the “upside”, globalization is creating significant opportunities if we can bring higher value products to expanding markets. We still have the crucial ingredients: an attractive environment, valuable natural resources and advanced capacities to manage them sustainably. We also have a highly developed education and training system and the R&D capacities with which to transform our traditional rural industries into knowledge driven, innovation-intensive sectors.

An immediate opportunity to improve the performance of a critically important rural economic sector is the recent report of the Maritime Lobster Panel, a study initiated by the three Maritime Provinces in the spring of 2013 in response to growing industry conflict over low lobster prices. This report provides an in-depth look at the single most important sector within the Atlantic fishery, and identifies three critical problem areas:

- **INDUSTRY RELATIONSHIPS** – the mutually destructive competition and weak cooperation among harvester groups and between the harvesting, processing and marketing sectors;

- **INDUSTRY OPERATIONS** – the disorganization and poor product quality resulting from the ways harvesters, buyers, shippers and processors currently conduct their activities; and,
- **INDUSTRY STRUCTURE** – “how the industry is set up and where the gaps exist that are contributing to value loss”.

The report makes 33 recommendations that together comprise a “Value Recovery Strategy” aimed at capturing and fairly distributing the wealth that lobster can and should generate in the global marketplace.

The Commission believes that this strategy deserves the support of industry, government and the wider community not just as an antidote to current problems in the lobster fishery, but as a model to be adapted to other primary production sectors that hold potential to generate greater wealth if they can become better structured and more competitive.

V. A Shared Commitment to Sustainable Development and Regulatory Excellence

As a provincial community, Nova Scotia appears at times to be seriously ambivalent, if not divided, on the benefits and risks associated with economic development. On the one hand, most commentators agree that our towns, cities and rural regions are in serious need of new investment, improved infrastructure and population growth. On the other, almost all new investment opportunities face significant criticism and at times active opposition from citizens concerned about negative impacts on neighbouring communities, on existing businesses and on the environment.

There appear to be two key areas of concern: **REGULATORY ISSUES** and **ATTITUDES**.

With regard to the former, critics of economic development projects can point to serious regulatory failures and poor business practices to justify their concerns about future risks. From the Westray mine disaster to the recent tragedy at Lac Mégantic, there clearly have been situations where the rules were lacking or were inadequately enforced. Nova Scotians can also point to examples where, after considerable wealth was extracted, communities have been left with contaminated land and water, depleted resources, and abandoned industrial sites. Citizens are justified in calling for more

responsible behaviour by resource users and more effective resource and environmental management by governments.

In the area of attitudes, participants in debates on economic development issues can sometimes express narrow views. Business operators and people who need jobs can seem cavalier about environmental risks and impacts on neighbouring communities. By the same token, urban dwellers with stable service sector jobs can sound indifferent to the need for more and better employment in rural resource industries. To escape this impasse, opinion leaders in different sectors will need to develop a more constructive dialogue on the twin necessities – economic growth and industrial expansion on the one hand, and responsible and effective environmental practices and risk management on the other.

There are good reasons to improve and expedite the regulatory processes for businesses and industrial activities. A consistent, well-enforced and efficient regulatory framework is essential if we are to bridge the gap between sound resource and environmental management and the ability to realize the economic potential of our assets. Currently there is a lack of trust in the regulatory and enforcement system by both those who have to abide by it to create a business or start a new resource use activity, and those who expect that system to protect both citizens and the environment to ensure economic, social and environmental sustainability.

On the positive side, today's progressive business operators often go beyond the regulatory system to improve their practices, particularly where there are market incentives for such improvements. Environmental certification programs are being actively developed by the fishing, forestry and agriculture industries. The growing consumer demand, on both the local and global levels, for products that are certified as responsibly and sustainably produced represents a significant opportunity to add value in Nova Scotia's primary production industries.

The Environmental Goals and Sustainable Prosperity Act (EGSPA) provides a framework for innovation, particularly for renewable energy and energy efficiency. With goals of 40% renewable energy by 2025, we are enabling development of new technologies, exploration of tidal and hydroelectric power, and innovation at the municipal level with leading edge composting and solid waste management systems, community feed-in tariffs

(COMFITS) and the Solar City program in Halifax. Strategic investments in energy efficiency through demand side management initiatives re lowering operating costs for residents as well as businesses and public institutions. Many of these innovations have set us apart from other provinces in Canada and are part of what makes it exciting to be in Nova Scotia.

The development of the comprehensive economic development plan that the Commission has recommended should be guided by broad stakeholder commitment to the following considerations:

- Continuing commitment to the objectives and targets of the Environmental Goals and Sustainable Prosperity Act;
- Consistent use of the most effective, transparent and inclusive public engagement processes and methods to support decision-making on expansion of resource industries and management of renewable and non-renewable resources;
- Excellence in regulatory systems and procedures, measured in terms of efficiency, cost-effectiveness, timeliness, fairness and transparency;
- Adoption of the most effective and widely accepted certification standards for sustainable resource use, conservation and responsible harvesting practices;
- Recognition of the rights of local communities to receive direct benefits from ongoing resource extraction activities, and to be protected from the burden of post-extraction environmental remediation costs and consequences.

VI. Rebuilding our Trade Economy

As in our past history, Nova Scotia has good reasons today to pursue trade growth and to embrace a free trade policy outlook. Many of the most significant economic opportunities on the Nova Scotia horizon – selling more renewable energy, seafood and manufactured products to the U.S., expanded fisheries, forestry and agricultural exports to Europe, and fisheries and agricultural trade with Asia – rely on improved access to international markets. With our gateway location, and excellent ports and airports, we stand to benefit with the expansion of the global trade between the U.S., Europe and Asia.



*Rather than fear more open borders, there are compelling reasons why Nova Scotia should embrace a **FREE TRADE ORIENTATION** and **BECOME A CHAMPION** among provinces for the reduction of both internal and external trade barriers. We have much more to win than we have to lose.*

By the same token, further reductions in regulatory barriers to movements of goods, services and people within Canada could provide access to new markets for agricultural producers and our increasingly competitive microbreweries and wineries, among other sectors. Nova Scotia now educates many out-of-province students, and so reduced regulatory barriers to occupational mobility could create even more opportunities to grow enrollment for our colleges and universities.

Of course the development of new international trade agreements and further reductions in internal barriers to trade and mobility within Canada will involve trades-offs and some degree of risk. But to the extent that we in Nova Scotia maintain a risk-averse and not very entrepreneurial culture, we forgo important opportunities to break out of our entrenched pattern of marginal economic growth.

Some observers fear that if European companies can compete for government procurement opportunities in Nova Scotia under the new Canada Europe Trade Agreement (CETA), public sector jobs may be lost or local companies may be displaced. Those are possible risks, but such competition may also bring new energy and innovation to our service sectors, and Nova Scotia companies may gain access to wider markets and be well positioned to partner with European firms to their mutual benefit. There could be new partnerships between Nova Scotian and European colleges and universities to do language training and research and development, or collaboration among ICT firms to develop multi-lingual products and services.

In short, rather than fear more open borders, there are compelling reasons why Nova Scotia should embrace a free trade orientation and become a champion among provinces for the reduction of both internal and external trade barriers. We have much more to win than we have to lose.

Nova Scotia has a significant negative trade balance, which means that the province has both a pressing need

and real opportunities to grow the economy through increasing exports and enhanced participation in global supply chains. Increased trade enables firms to optimize economies of scale, become more productive and stimulate innovation and investment. Firms that operate in international markets are more likely to grow, to create employment, and to engage in R&D.

However, Nova Scotia currently has relatively few export-focused firms, with the majority of exports generated by a few international firms producing primary products (e.g. natural gas) and manufactured goods (e.g., tires and plastic products). While the new Canada-Europe Trade Agreement (CETA) offers the promise of lower tariff and non-tariff barriers and reduced cost to access European markets it is mainly such larger companies that are well positioned to overcome the logistical obstacles to delivering more products and services to Europe. Special efforts are therefore needed to build the capacity and confidence of Nova Scotia SMEs to pursue new opportunities in this market of over 500 million people. Nova Scotia government agencies and their partners in other levels of government, the universities and the Nova Scotia Community College need to work with locally based SMEs to increase their capacities to become more export-oriented.

The Commission encourages the provincial government, in consultation with its economic development partners in the federal and municipal levels of government, the universities, the Nova Scotia Community College, and the business community, to work together on strategies to increase the number of Nova Scotia SMEs that are exporting and participating in global supply chains. Areas for more concerted action might include:

- Targeted support to Nova Scotia-based SMEs to increase the scale of their operations in terms of capacity to export, including education and training programs to build export-related management and workforce skills and to promote lean management, productivity practices and export readiness;

- Expanded strategic support for market research and analysis, intelligence gathering and in-market presence in three strategic markets: China, the South-east U.S., and Western Europe;
- A Certification Centre to facilitate access to international markets, including laboratory testing for manufactured goods, commodities and services;
- Strengthening curricula in colleges, universities and professional trade associations on aspects of international trade, more opportunities to work and study abroad and programming to equip graduates with international trade-related certificates and credentials.

VII. Excellence in Education and Training

One of the most notable aspects of the Commission's public engagement activities was the consistency with which business and community spokespersons called for improvements in public education to better prepare our youth for transition from school to work in a knowledge-driven economy.

The Commission agrees that, just as Nova Scotia businesses must compete in a global marketplace, so too must the educational outcomes for our students be measured against a world standard. This does not imply less emphasis on broader developmental goals for public education, including preparation for citizenship, but embraces the emerging global perspective on learning as a driver of economic, cultural and social progress. Arguably this has always been the case, although the sharp increase in knowledge-intensive enterprises has attached a premium to the highest levels of literacy, numeracy and creativity. It is now widely accepted that schooling at the elementary, junior high and high school levels provides the crucial foundations for all further learning, and the jurisdictions that develop the best public education systems essentially give their citizens a head-start on "learning a living".

Of course, the cornerstone of any education system is the curriculum and the Commission heartily endorses the curriculum review process recently announced by the provincial government. It is our hope that this review is rigorous and thorough and guided by the fundamental objectives of the system as a whole. If we believe in ourselves, in the quality of teachers and most importantly in the potential of our sons and daughters,

we will have the courage to set a high bar and then hold ourselves accountable for reaching our goals.

This will not be an easy task and, following a central theme of this report, demography will figure prominently in our list of challenges. Over the past forty years, P-12 enrolment in Nova Scotia has fallen by nearly 40%. The current school system no longer enjoys economies of scale advantages. In both rural and inner-city areas, we have too many schools operating below optimal enrolments and the cost of maintaining this infrastructure drains resources away from improvements in quality. Rural communities particularly struggle with the stresses of school closing and longer bussing routes. The Commission hopes that current efforts to improve the school review process will result in an enhanced willingness and capacity across the province to find the right balance between community needs and the efficient use of resources to deliver high quality learning opportunities. There won't be a "one size fits all" solution, and we acknowledge the special role schools play in how communities see themselves, particularly at the lower grade levels. The Commission would also encourage more extensive and creative use of distance delivery and asynchronous learning technologies.

On a broader level, the Commission applauds the work of the Workforce of the Future Table led by the Department of Labour and Advanced Education. It has been very effective in drawing out key priorities that link our education system to the labour market, and has identified five key areas that the Commission strongly supports:

1. Expanding employer engagement in apprenticeship;
2. Linking Nova Scotians to jobs in growth sectors;
3. Pursuing excellence in math and science;
4. Improving youth retention; and,
5. Promoting entrepreneurship.

We are particularly enthusiastic about the emphasis placed on improving mathematics and science education in our schools to prepare young people for the kinds of jobs the Nova Scotia economy should be generating. Further innovations in curricula and teaching methods should be explored, including the



*Nova Scotians need to demonstrate that we are an **OPEN and WELCOMING SOCIETY** so that our tourists, new immigrants and international students will communicate this Nova Scotia “brand” **THROUGHOUT THE WORLD.***

introduction of computer programming skills as a core competency at the junior high level.

With regard to human resources development, our traditional rural industries have inherent and unique labour force characteristics including seasonality and the need for specialized knowledge, skills and aptitudes. Many people in rural communities do well by becoming multi-skilled and moving from one sector to another as the seasons dictate. But some of these sectors are not currently supported by effective education and training programs for lifelong skills upgrading to support productivity and product quality gains and improved health and safety. Too many rural businesses have gotten by with minimal investments in training and in attracting and retaining skilled workers, a business model that may no longer make sense in today’s labour market. Governments, employers, worker organizations and the major institutional partners need to work together on new ways to provide rural industries with needed workers while improving the quality and attractiveness of such employment.

And finally, the province has already made significant advances in developing new processes and tools to support foreign credential recognition and recognition of prior learning for adult participants in education and training. It is important that government and employer, employee and community-based organizations press forward in these areas to improve the integration of international immigrants and to support the successful transition of marginalized and disadvantaged populations into the labour force.

Much has been said already in this report about the universities and the Nova Scotia Community College as foundations for future economic growth in the province. The Commission believes there is even greater potential for these vitally important institutions to bring their immense institutional capacities to bear on the economic, social and cultural development needs of the province. In doing so, we believe the post-secondary system can model - and potentially be a catalyst for – the kind of change required more broadly throughout the province.

VIII. Becoming A More Inclusive and Welcoming Province

Citizens across the province have divided views on efforts to attract new Canadians to their communities. Most people support this way to grow the population, but some fear that new immigrants will take jobs away from local people in areas of persistently high unemployment.

This conflict has to be resolved: new immigrants bring specialized skills and entrepreneurial energies to their new lives in Canada. But too many who come to Nova Scotia do not stay because their professional or trade credentials are not recognized or they do not find our employers and communities very welcoming. It will take a concerted effort to overcome these obstacles.

Welcoming programs have been highly successful in some communities, but need to be enthusiastically embraced throughout the province. When an immigrant family settles in a place successfully they often encourage other family members and friends to come. Having clusters of people with shared cultural backgrounds helps with attraction and retention for future immigration.

Welcoming workplaces are also important. Employer organizations need to be more active in encouraging their members to make use of available tools for international credential recognition, assessment of occupational competencies and recognition of prior learning. Having effective employee engagement programs and implementing harassment free workplace policies are also essential steps.

Changes to immigration rules have made it easier for international students to stay in Canada after their studies if they have gained work experience and have employment options. Hiring international students so that they can gain Canadian experience and build networks of support will encourage more skilled young immigrants to stay. The communities around our universities also have a role to play in creating a welcoming social environment for youth from other countries and cultures.



Nova Scotians everywhere – in their communities, educational settings and workplaces – need to demonstrate that we are an open and welcoming society so that our tourists, new immigrants and international students will communicate this Nova Scotia ‘brand’ throughout the world. By the same measures, we need to be more inclusive in our responses to the needs and aspirations of our own citizens in visible minority communities – Mi’kmaq and African Nova Scotians – and people with disabilities. They are key contributors to local economic development, entrepreneurship and workforce renewal. They too need to experience welcoming communities and welcoming workplaces.

IX. Promoting Entrepreneurship

If we are to grow more businesses, and have them be more successful, Nova Scotia needs more entrepreneurs. More young people need to come out of their education and training programs not just looking for a job, but with the knowledge, skills and confidence to create jobs for themselves and others. More owner-operators of small businesses need to push themselves to become bigger businesses, and need to be supported in, and recognized for, their efforts.

Entrepreneurship programs delivered to Nova Scotia students by non-profit entrepreneurship organizations — e.g., Junior Achievement — receive significant funding from various levels of government and corporate contributors. But these activities are voluntary add-ons rather than integral components of the school experience for everyone. If creating an entrepreneurial culture is a priority, we need to ensure

schools, government and third-party delivery agents are working towards the same outcomes.

There are a growing number of entrepreneurship initiatives occurring at the post-secondary level in Nova Scotia. These are being developed and delivered by the institutions through curricula and on campus business development centres, often in partnership with external organizations. The post-secondary education system is responding to the growing demands from students, businesses, communities and government to build entrepreneurial knowledge, skills and attitude. But much more can and should be done at this level in the educational system.

Beyond educational programming, there is a need for more effective encouragement and support for operators of small and medium-sized enterprises in the province who may want to grow their enterprises and for people in the workforce who might want to start their own businesses. Many of the program tools and resources are already in place, most notably the small business loan program operated through credit union system and the Community Economic Development Investment Fund (CEDIF) program. The challenge is to market these programs more effectively to improve uptake and success rates and to nurture and support entrepreneurs in rural communities not just to start businesses but to be more innovative and ambitious in doing so.

Quite a lot is known in the wider world about how to build a business and policy ecosystem to foster entrepreneurship. A recent Harvard Business Review report identified strategic approaches that helped several countries, some of them very poor, to dramatically increase business growth¹⁰. The following are points of advice from the report that may have relevance for Nova Scotia:

- Ecosystems need to be built around local conditions, assets and strengths. Some countries focused on local industries that had proven potential for development while other resource-poor “islands” far from major markets, like Taiwan, Iceland, and New Zealand, all centred their strategies on human capital. (Nova Scotia is in the perhaps enviable position of being well positioned to leverage underutilized resources, underperforming industries and significant capacity to build human capital).

¹⁰ *The Big Idea: How to Start an Entrepreneurial Revolution*, Harvard Business Review, 26/04/2013: <http://hbr.org/2010/06/the-big-idea-how-to-start-an-entrepreneurial-revolution>



- The private sector needs to be engaged and to lead from the start. Government can support, but “only the private sector has the motivation and perspective to develop self sustaining, profit-driven markets”. It needs to have “a significant stake in the ecosystem’s success”.
- Ecosystem development should be concentrated on the areas of the economy with the greatest growth potential. “If resources are limited, programs should try to focus first on ambitious, growth-oriented entrepreneurs who address large potential markets”.
- Successes should be “over-celebrated” in the media, with awards and in every way possible. “Governments should be bold about celebrating thriving entrepreneurial ventures.”
- Legal, bureaucratic, and regulatory systems should be reformed to remove impediments to, and enhance incentives for, business success.

X. Integrating Economic Development Services

Nova Scotia has a long, and somewhat checkered, history when it comes to attracting and sustaining businesses. For every success story like a Michelin, our economic development initiatives seem to have produced multiple examples where companies have either left the Province or went out of business after the subsidies ran out. Debates about the relative merits of government support to individual businesses continue today whether that assistance is delivered by the arms-length Nova Scotia Business Inc, Innovacorp, the Department of Economic and Rural Development and Tourism, various government loan boards or the Cabinet-controlled Jobs Fund.

In his 2010 report on Nova Scotia’s economic development agencies, noted policy expert, Dr. Donald Savoie urged government to rationalize and integrate business development services so that Nova Scotia would become “the most business friendly jurisdiction in Canada in terms of accessing government programs and services”. The Commission believes that Dr. Savoie’s recommendation should remain as the key objective.

The Commission acknowledges that there has been some progress towards this goal but in our view, not nearly enough - particularly when the parallel activities

of federal and municipal levels of government are considered. The goal clearly is to have a ‘no wrong door’ approach in which investment and credit tools, education and training services, trade development and R&D capacities can all be made available seamlessly to new or existing enterprises that seek to grow in the province. We need economic development to become a “Team Nova Scotia” endeavor and we need much greater clarity on roles and expectations of the various players.

We also need to extract the maximum potential from our departments and economic development agencies: NSBI with its private-sector orientation, international reach and independent board; Innovacorp with its focus on technology, innovation and start-ups; Film and Creative Industries Nova Scotia with its special expertise in film and digital media; and others in the energy, fisheries, agriculture and natural resources fields.

The Commission urges consideration of three initiatives that it sees as potential “game changers”:

- Improvements can, and should, be made to the coordination and alignment of the multiple economic development agencies, programs and services. For a small jurisdiction we have a lot of programming housed in multiple departments and agencies, and the occurrence of overlaps, competition and turf protection is almost inevitable. Within the wider frame of a Team Nova Scotia approach, senior leaders and staff in all of these agencies should implement an action plan to build and maintain a collaborative operational culture. Additionally, with dedicated leadership and secretariat support, ministerial and deputy ministers’ committees are also effective in bringing all the departments and agencies with economic development responsibilities together for intensive information sharing, planning and coordination work.
- The Commission believes that the voice of business needs to be more present in the work of government and particularly at the cabinet table. We believe there is significant value in re-organizing business-related programming within a new department with a new minister and a crystal clear mandate to support all aspects of business expansion in Nova Scotia. We believe this clarity should extend to the actual title – the Minister of Business. The Minister should be an activist and a champion who will communicate

and problem-solve with business enterprises and organizations and provide strong leadership in developing public awareness of the need for, and potential benefits of, business growth. The Minister could also function as a business ombudsperson and focus on issues related to the business environment, regulatory burdens and service response times. In the 1960s, Premier Stanfield sent a clear unambiguous message about the priority his government placed on educational reform when he also served as Minister of Education. Commissioners discussed the idea of having the Premier also carry the Minister of Business portfolio to signal the significance of building the Nova Scotia economy. Whichever model is chosen, the Commission is strongly of the view that government should more tangibly demonstrate its commitment to creating an environment that supports business success.

- The Commission received tremendous support from staff in the Nova Scotia Department of Finance and in Economic and Rural Development and Tourism in accessing data and analytical resources to complete this report. The Nova Scotia Community Counts web-based data resource also provides excellent community profiles and demographic information. However, there were important instances where up-to-date and in-depth data on critical issues such as business start-ups, research and development activities and immigration trends was not available or had to be purchased at considerable time and cost from federal agencies. The Commission believes that having such information on economic performance, and making it available, is essential if we are to draw the general public and leaders in key sectors into the project of building a stronger Nova Scotia economy. Stakeholders need to know the baselines and be able to track progress over time on key indicators for economic growth, social development and environmental issues if they are to feel part of the process. The provincial government should examine current systems of goals, targets and change indicators that are up and running in other jurisdictions such as Maine (www.mainepolicy.org/maine-by-the-numbers/) and Scotland (<http://www.scotland.gov.uk/About/Performance/scotPerforms>).

XI. Better Management of Economic Development Investment Funds

Government's economic development programming and investments are constantly pulled in different directions – to support new start-ups, to help existing enterprises to expand, and to assist firms that need to restructure or rebuild after business failures. Significant government investment also goes to relatively strong and financially healthy companies simply as incentives for them to locate or expand in Nova Scotia rather than somewhere else. While all of these kinds of investments of public money can be controversial at times, in most cases there are sound business case arguments for them, and governments are often drawn into making such commitments in spite of heavy criticism from certain quarters.

In addition, recent Auditor General's reports have raised concerns about transparency and accountability factors regarding expenditures of economic development funds. There is a widening discussion about whether decisions can or should be de-politicized by taking the cabinet out of the process and deferring to arms-length bodies that will adjudicate purely on the basis of business case evidence.

In his 2010 report on Nova Scotia's economic development agency structures Dr. Donald Savoie considered this very issue with regard to the then existing Industrial Expansion Fund (IEF). In response to pressures to transfer the IEF to Nova Scotia Business Inc (NSBI) to reduce political influence Dr. Savoie offered the following advice:

... [the Department of Economic and Rural Development] will not be able to be a pure policy department and one only has to look to IEF to accept this reality. I can think of no better home for IEF than ERD. I also accept the logic of a leading private sector representative when he observed that even if one were to kill the IEF, it would resurface several months later in some form. Governments, the argument goes, need a flexible instrument to respond to economic opportunities or to challenging economic circumstances confronting a community or a region. Provincial government officials, meanwhile, insist that the Fund has met with considerable success over the years and the perception of being a political fund is far more myth than reality. They can make the case that IEF has authorized over \$500 million in transactions and that many of the initiatives were turned down by NSBI. They can also add that the government has incurred 'no significant losses from these transactions'¹¹.

¹¹ Savoie, Donald J., *Invest More, Innovate More, Trade More, Learn More: The Way Ahead for Nova Scotia: Nova Scotia Department of Economic and Rural Development*, June, 2010.



*Rather than a paternalistic sponsor,
Nova Scotia needs a **PARTNER** in
ECONOMIC TRANSFORMATION to build
a stronger and **MORE RESILIENT** place
within the Canadian economy.*

While acknowledging the value and need for optimal transparency and accountability, the Commission again agrees with Dr. Savoie's observations. It is the elected government that is ultimately held to account for all economic development investments and their outcomes. And governments are elected both to develop and implement longer-term policies and strategies to improve the economy, and to be responsive to local situations and needs. The Commission has observed that the most problematic cases often involve government efforts to support one-industry communities by shoring up weak companies rather than more conventional business development. Again, the Commission recognizes that these kinds of investments fall appropriately within the purview of Cabinet and our primary recommendation is that government be more completely transparent in communicating the rationale for such decisions.

In between these two levels of intervention – the broad strategic and the local community based – there are many conventional business-to-government transactions that can be efficiently and effectively managed on a business-case basis by arms-length agencies like the farm and fisheries loan boards, Innovacorp and NSBI.

In suggesting this overall approach, the Commission supports the continued role of the current Business Advisory Committee to provide advice drawn from evidence and business case analysis to the ERDT Minister and Cabinet on all decision-making on economic development investments. In addition, these decisions should be subject to continuing review and public reports by the Auditor General.

The Commission's most basic concern is that these different development agencies work together more effectively as a more fully integrated support system for business growth and economic transformation. The development of the ten-year plan that we have proposed as a transformation goal will provide a context and a framework for achieving this greater integration, coherence and focus.

XII. Finding A Committed Federal Partner

In almost every policy field that is important for Nova Scotia – energy, fisheries and oceans, international trade, immigration, transportation, human resources development, environment, research and development, etc — the Canadian constitution divides responsibilities between federal and provincial jurisdictions. Nova Scotia's shrinking share of both Canada's economy and its population provides *prima facie* evidence that this arrangement is not currently working well for us. There is significant room for improvement in the working relationship between the two levels of government.

The trend in recent years, amplified by fiscal restraint measures at both levels, has been towards a less effective partnership. Nova Scotia has seen a sharp reduction in federal jobs in the province – some 25% since the mid-1990s — and significant cuts in federal fisheries management and science and in regional development programming including the withdrawal of federal funding for regional development authorities (RDAs). While this has been happening, Ottawa committed \$1billion to shore up Ontario's manufacturing sector and untold millions in tax advantages for the fossil fuel industry in the West. Such investments are regularly characterized as commitments to building Canada's "national economy", while support for fisheries and forestry renewal in the Atlantic Region seem to be seen as inefficiencies that the federal government simply can't afford any more. At the same time the provincial government's priority on expanding international immigration has been frustrated by inflexible federal policies on quotas and program categories.

Current federal intentions to move to a per capita formula for fiscal transfers is cause for deep concern in a province with an aging population that continues to export significant numbers of working age people to other provinces. Similarly, Ottawa's current plan



*Every effort must be made to build **A MORE MEANINGFUL PARTNERSHIP** in which the needs and aspirations of Nova Scotia are genuinely respected and **ACTIVELY SUPPORTED**.*

to reduce funding for employment support for disadvantaged groups is a serious problem in a province that needs to improve its labour force participation rate to meet worker shortages now and in the future.

Economic renewal in Nova Scotia will require much more effective policy alignment with the federal government and enhanced collaboration at the level of services to business and communities. Every effort must be made to build a more meaningful partnership in which the needs and aspirations of Nova Scotia are genuinely respected and actively supported.

The Commission emphasizes very strongly that we are not proposing a return to the province's prior over-dependence on federal transfers. Rather than a paternalistic sponsor, Nova Scotia needs a partner in economic transformation to build a stronger and

more resilient place within the Canadian economy. This report lays out the business case for such a transformation, and asks all key sectors – business, labour, local governments, First Nations, strategic institutions and communities — to make the investments needed to achieve it, each according to their strengths and capacities. We ask no more nor less from the Government of Canada.





Exemplary Initiatives

Over the course of its work the Commission was informed about many undertakings by community organizations, business groups, First Nations, education and training institutions, government agencies and others that addressed the economic and population challenges we are most concerned about. There were too many of these to single out for support here, but the Commission would like to point to a few as examples of the kinds of concerted action and collaboration that are needed to build the new Nova Scotia Economy.

TOURISM STRATEGY

The new Nova Scotia Tourism Agency (NSTA) is a unique collaborative partnership between industry and government. It was established to provide new leadership and strategic direction to help this critically important sector adapt to rapidly changing regional and international markets. The industry currently generates \$2 billion in revenues and creates 24,000 jobs, but has declined in recent years due to the high dollar, recession in the crucial U.S. market, and other factors. The NSTA's new strategy, developed through extensive industry consultation and market research, aims to achieve one over-arching goal: *more visitors, who spend more and stay longer*. To meet this goal the Agency has established five action priorities to be achieved over five years: improved leadership and collaboration; strategic marketing; evidence-based decision making on new investments; higher quality products and experiences; and improved access to Nova Scotia.

In the Commission's view, these are appropriate goals and priorities that will provide solid groundwork for achieving our proposed "stretch goal" to double total revenues over the next ten years.

MINERALS AND MINING POLICY REVIEW

Rising global demand for mineral and energy products over the past decade played a large part in sustaining the Canadian economy through the financial and market upheavals of the period. Nova Scotia did not enjoy the benefits of this growth in demand largely because of our traditional over-dependence on the one U.S. market.

However, regulatory barriers and policy constraints were factors as well. From 2001-2011, Nova Scotia's mining and quarrying industry shrank from a value of \$285 million to \$247 million while the industry grew dramatically in almost every other province. Nova Scotia lost some 800 jobs in the sector over the five years prior to 2012.

As a key element in its implementation of the 2011 Natural Resources Strategy, the Nova Scotia Department of Natural Resources will undertake a review of the Mineral Resources Act to provide a modern and responsive legislative framework to support and promote sustainable mineral resource management in the future — from exploration to development, to active mining, and finally to land reclamation. This will require sustainable mining practices, effective community engagement, and a commitment to informed decision-making. The end result will be a sustainable industry that is successful both economically and environmentally.

The Commission welcomes this commitment to the modernization of this important sector so that the province can benefit more fully from its valuable resource base. It is also important that this review exemplify the government's commitment to effective public engagement and regulatory excellence.

WORKFORCE OF THE FUTURE TABLE AND ATLANTIC WORKFORCE STRATEGY

These are two critically important initiatives for building the workforce needed by a more productive and growth oriented Nova Scotia economy.

In its efforts to secure the Irving Shipyard bid for Canada's \$25 billion naval vessel procurement, the provincial government initiated stakeholder consultations to ensure that Nova Scotia would be prepared to undertake the project and then leverage it to drive wider industry growth. The success of those first discussions inspired a broader collaboration on how to prepare the workforce to meet future skill needs. A roundtable of leaders from governments, industry, the educational institutions, unions, First Nations, and community organizations has

been meeting regularly since 2012 to develop strategies to build the best workforce for Nova Scotia. They have identified five priority areas to guide policy and program development and future government-industry-community collaboration: employer engagement in apprenticeship, linking people to growth sector jobs, excellence in math and science, youth retention and entrepreneurship.

The Atlantic Workforce Strategy is a regional initiative to harmonize occupational standards in key industrial trades. Recognizing the need for a coordinated approach to build the labour force needed for impending major capital projects in mining, shipbuilding, offshore energy and construction, the four Premiers established the Atlantic Workforce Partnership in 2013. The project will begin by creating common certification standards for construction, electrician, bricklayer, instrumentation technician and cook apprentices by mid-2015. This will improve workforce entry and the transfer of skilled labour across provinces, and will ensure the region has experienced and prepared apprentices ready to meet upcoming opportunities. Additional high-priority trades will be aligned by mid-2017.

The Commission again commends these ambitious efforts to break down barriers to worker mobility, to enhance skills training and to create a more attractive labour market environment to attract skilled workers back to the region.

CAPE BRETON ISLAND AND MULGRAVE PROSPERITY FRAMEWORK

The Cape Breton Partnership provides an excellent example of how key sectors for economic advancement — business, the three levels of government, First Nations, strategic institutions and community organizations — can come together to plan and implement transformative change. This is very much what the Commission has in mind in proposing a province-wide project to build a new Nova Scotia economy, and we are very appreciative of the efforts made by the Cape Breton Partnership to align their strategic directions with wider policy directions at the provincial and federal levels.

A major outcome of the Partnership's work is the Prosperity Framework a comprehensive economic development plan for the region that sets four overriding goals:

1. Pursue updated economic development strategies for the entire region, with a focus on growth sectors and value-added components of existing sectors.
2. Align the Strategic Framework with the provincial and federal economic strategies.
3. Collaborate with Cape Breton-Mulgrave's principal economic development partners in the pursuit of updated strategies with provincial and federal plans, and fill gaps in economic development programming, particularly as they relate to human resources and entrepreneurship development.
4. Facilitate and monitor the net creation of new jobs on an ongoing basis.

These again are critical elements to be addressed in the development of our proposed ten-year plan for economic growth and renewal in Nova Scotia.

ENGAGE NOVA SCOTIA

Engage Nova Scotia (previously named "Envision") is a non-partisan coalition of volunteers from the public, private, voluntary and academic sectors across the province. Their goal is to help foster the emergence of a more vibrant, inclusive and resilient society by promoting the engagement and collaboration of all Nova Scotians in designing and building the future they want. They undertake engagement activities aimed at achieving more meaningful participation in change and innovation at the community and provincial levels, and at building capacity for engagement and collaboration through training and education. Engage will also conduct research and analysis to contribute to an evolving narrative about our communities and province.

The Commission recognizes the importance of this broader and more creative approach to citizen participation if we are to change attitudes and adapt to new ideas as we address our economic and demographic challenges.

4FRONT ATLANTIC

4Front is an important learning and visioning initiative driven by private sector leaders from across the four Atlantic Provinces. It brought together hundreds of business leaders in three intensive working conferences over three years. The first gathering focused on why

regional businesses need to grow, innovate and expand trade; the second examined steps to achieve these outcomes; and the third looked at how to implement these strategies. A major outcome of the conferences was an action plan detailing 15 activities for businesses to undertake to help the region succeed in a changing global marketplace. The 4Front Steering Committee will release a report card detailing how Atlantic Canada is performing as a region on the 2013 plan.

The Commission strongly endorses this form of private sector initiative in defining the economic challenges facing the province and bringing business leaders together to address them. More such action and collaboration will be needed as we move forward with building the new Nova Scotia economy.

COMPREHENSIVE TAXATION REVIEW

The new government of Nova Scotia has committed to a comprehensive review of tax policies and measures and their impacts on business development and investment in the province. The Commission welcomes this long overdue effort to modernize our tax policies and to align them more effectively with our economic development strategies and priorities. We also believe that there are innovations in other jurisdictions to be evaluated, a key example being the Start-Up NY initiative in New York State that will incent innovative business start-ups in incubation centres on university and college campuses.

SCHOOL REVIEW CONSULTATIONS

Schools are crucial elements of social infrastructure, vital to the viability and attractiveness of communities. However, declining enrolment, consistent with population loss and the changing age profile in most areas of Nova Scotia, has triggered province-wide processes to rationalize school facilities. In 1973 the P-12 school enrolment in Nova Scotia was 211,258 students. Today we have only 122,643 students in the province's schools with expectations of continuing and substantial decline. Escalating facility maintenance costs and salary levels, combined with provincial budgetary constraints, add further impetus for restructuring the school system.

In response to community concerns about how decisions were being made to close or consolidate schools, in 2013 the provincial government announced

a full public consultation on the school review process. The review will address the question of how best to manage the current stock of school buildings to deliver excellent school programs to all students. It will consider opportunities to diversify the use of under-used buildings and examine the factors that should determine if a school should be considered for closure. The review will generate recommendations on how to improve the planning, consultation, and decision-making processes in ways that are good for students and for communities while maintaining a financially sustainable system.

The Commission strongly supports this effort to engage the public on the future of our smaller schools, particularly in rural regions, and hopes that it will lead to higher levels of understanding and consensus about ways to meet these challenges.

INDEPENDENT REVIEW OF BUSINESS INCENTIVES

The Commission welcomes the appointment of Dr. Tom Traves to lead the review of current tools and resources for support of business development in the province. Dr. Traves will evaluate the current use of loans, loan guarantees, grants, equity, venture capital supports and payroll rebates, and make recommendations on how the government can better support economic growth and improve transparency and accountability. The Commission sees this as an excellent and timely follow-up to its work and as a means to align policies and programs in the government with the broad strategic directions we are proposing to stimulate growth and renewal in the Nova Scotia economy.

There are many more such initiatives that the Commission could identify and support. The major point to be conveyed is that Nova Scotia does not have to start from scratch in building a new economy: leaders in many corners of the province understand the need for such an effort and are already committed to it. There are many resources and institutional capabilities already committed to the task. It is our hope that our report will lend impetus to the development of a larger vision and planning framework to link and coordinate these many initiatives and orient them to shared objectives and intended outcomes.





Conclusion

As stated in the introduction to this report, the Commission on Building Our New Economy set out in late 2012 to generate specific policy advice and recommendations primarily for the Nova Scotia government. However, because we had a broad mandate, and sufficient time and resources to carry out extensive public engagement, research, and reflection on the current economic condition of the province, we find ourselves at the end of our work in a somewhat different place than was anticipated. Our thinking has shifted on how best to fulfill that mandate.

First of all, as emphasized throughout the report, we believe that the province is on the verge of a serious crisis in the viability of its communities and the capacity of its economy to sustain the current standard of living for citizens and the quality of public services. A primary purpose of this report is therefore to alert Nova Scotians to this situation and to call for concerted action on the part of all sectors — business, labour, government, First Nations, leading institutions and voluntary sector and community organizations — to come together around a new vision and concerted strategies to meet our economic and population challenges.

Secondly, and almost as daunting as our economic and population challenges, Nova Scotians need to understand and embrace the significant opportunities we now have to build a better future — “daunting” in the sense that to succeed in this effort we will need to do things differently and to change old attitudes that limit our capacities to come together in common cause. We have valuable assets and significant new capacities to change and grow as a province, and the macroeconomic climate may finally be shifting somewhat in our favour, but we will not overcome our economic and population challenges through business as usual or, for that matter, through politics as usual.

Because of this shift in thinking and approach, this report has not proposed the usual list of policy options and action steps aimed primarily at government. While policies and programs can always be improved, the Commission does not believe that, in and of themselves, such changes on the government side will provide the needed answers. Our challenges run much deeper. They are embedded in the very structure of the economy after decades of weak private sector growth and perhaps an over-reliance on government as the leading source of new employment and wealth generation. And they are amplified by our lack of confidence and collective ambition to do better, and in our attitudes of mistrust and indifference with regard to the successes of our entrepreneurs and their capacities to rebuild local economies.

This report calls upon governments at all levels to provide stronger leadership and direction, to align their policies and programs more effectively, and to be more efficient and focused in supporting business growth and innovation. But we do not mean to suggest that government holds the answers or that these better approaches will solve the problems we face as a province. For that to happen, everyone else — in business, labour, partner institutions and communities — will have to play their part.

For these reasons the Commission has developed its advice in a different format that it hopes will convey the urgency of the situation and the need for new directions and strategies.

First, on the level of broad vision, the Commission proposes that Nova Scotia consciously undertake to transform itself over the next decade into a dynamic and creative province, capable of taking bold measures and risks, and of coming together as a unified community to build a better future. We observe that the regions and nations of the world that are having the greatest success

NOVA SCOTIANS need to understand and embrace the significant opportunities we now have to build a better future — ‘daunting’ in the sense that to succeed in this effort we will need to **DO THINGS DIFFERENTLY** and to change old attitudes that limit our capacities to **COME TOGETHER** in common cause.

in meeting the challenges of globalization and technological advance are those often small states that are best able to take on such projects of self-transformation. We can undertake our version of such a project national, by building on our unique assets, strengths and cultural traditions, by mobilizing our creative youth, business entrepreneurs and social innovators, and by focusing the immense capacities of our educational institutions, our business and voluntary sector organizations and our governments on shared goals for growth and renewal.

As the next step, the Commission has proposed a set of “stretch goals” whose achievement would require active commitments from all key sectors and adoption of new and much more ambitious strategies and approaches. It is intended that progress towards these goals be measurable, and that their achievement would signal a dramatic shift for the better in the province’s condition. They address three fundamental imperatives that the Commission believes are self-evident and inescapable if we are to reverse an accelerating crisis of economic and population decline: the province needs more people, more businesses and a more efficient, focused and effective system of governance.

Just to clarify: the Commission is not proposing that the new goals for Nova Scotia set out in this report be written in stone as absolute targets or standards. It is assumed that there will be further stakeholder consultation and deliberation at the political level. We have made suggestions for where to start in terms of the nature and scale of such goals. The strongest points of emphasis are that such goals are needed to bring all the sectors together, and they need to be transformative.

Finally, the Commission has proposed 12 new strategic directions, or “game changers”, as a way to indicate the nature and scale of the changes in attitude and approach that will be needed to achieve the new goals for the province. For example, we cannot possibly hit our population and labour force growth targets unless all sectors of the community adopt a much more positive and active commitment to welcoming newcomers to our province, and to supporting our disadvantaged citizens, to facilitate their success as students, as workers and as entrepreneurs.

Similarly, it will not be possible to turn around our economic outlook as a province unless we significantly improve productivity and competitiveness in our traditional rural industry sectors. They are our cultural foundations and our unique competitive advantage in global markets, but they need to be brought more completely into the new world of innovation and knowledge economy thinking so that we generate much greater value from them on a sustainable basis.

And that transformation in turn implies a “game change” in our attitudes and understandings about the interdependence of our rural and urban economies and about the management of environmental impacts to balance our growth objectives with our commitments to sustainability and regulatory excellence.

The Commission does not propose major changes in the scale, structure and operations of government programming in the economic development sphere. As indicated above, we do not believe that poor policies and programs are the major cause of our economic and population difficulties in Nova Scotia, and therefore it is unlikely that far-reaching changes in them represent a major solution.

We can always do better, and previous studies and reports, and new ones now underway, will provide detailed advice on moving forward in that direction. To add value to those efforts the Commission emphasizes greater transparency and accountability, more effective public communication on the 'business case' evidence behind economic development investments, and the appointment of a new Minister of Business to strengthen communications between government, business operators and the wider community.

Finally, the report concludes by pointing to a number of current and ongoing initiatives that are entirely consistent with the new directions proposed in this report. Clearly we are not starting from scratch. On the business side, we have many growth-oriented enterprises in Nova Scotia that are doing all the right things to invest, innovate and trade more. We just don't have enough of them. Similarly our universities and the Nova Scotia Community College are expanding their research and development efforts and their partnerships with business, but we need much more of this innovation and collaboration and it needs to be more actively embraced on the business side. The Atlantic Workforce Strategy, the Workforce of the Future process and the review of school curricula to improve mathematics and science learning all hold great potential to energize and facilitate positive change. These initiatives need to be actively supported and perhaps more effectively linked and coordinated within a wider strategy for economic growth and renewal.

In closing, the Commission wants again to thank the many stakeholder and community representatives, and the experts from many fields, who attended public meetings, met with the Commissioners and staff, or submitted briefs or social media messages over the past year. This voluminous input has been both a rich resource and a source of inspiration for the Commission. Our decision in this report to call for concerted action on a shared project of transformative change seems to us entirely justified by the overwhelming evidence that many, many Nova Scotians care deeply about our province and are actively committed today to helping to build a better future for it. That is the most essential ingredient for success.

one


NOVA SCOTIA

**SHAPING OUR NEW
 ECONOMY TOGETHER**





Awesome Nova Scotia

As the Commission visited various communities across the province in the fall of 2013, each public session ended with a call for participants to relate what they saw as outstanding assets and achievements Nova Scotia has in place to build our new economy. The suggestions contributed extend for many pages. To celebrate our place and inspire even more creative economy, we asked Nova Scotian artist Michael de Adder (can you find his signature?) to sketch a map of Nova Scotia's awesomeness from our crowd-sourced list. A copy of the map is available for download at www.ownens.ca and is free for distribution and non-commercial use.



NOVA SCOTIA
SHAPING OUR NEW
ECONOMY TOGETHER

oneNS.ca