

Chapter Seven

Toward successful regional development strategies

Manitoba, like all Canadian provinces, faces the challenge of enhancing its economic and human potential within the context of an increasingly globalized and competitive world. Manitoba's growth in population and economic activity has been slow relative to that experienced by larger provinces with more dynamic economic sectors, better access to large export markets, and more bountiful natural resources. Looking to the medium-range future, there are both problems and opportunities facing the province as a whole and the Manitoba Capital Region in particular.

The RPAC is of the belief that these challenges can be most effectively met through a strategy of regional cooperation. This chapter outlines the Region's strengths, the challenges it faces, and the reasons why global economic trends call for regional responses. These responses could involve governments:

- adopting a range of policy tools to manage growth
- encouraging compact development
- ensuring economic competitiveness
- promoting environmental sustainability

- improving the quality of life for residents of the Manitoba Capital Region

This chapter then summarizes a number of current and complementary approaches to regional development that have been identified and employed in a variety of North American regions. It concludes with a recommendation that the Government of Manitoba play a lead role in working with regional governments and a wide range of community representatives to develop a regional development strategy.

STRENGTHS AND CHALLENGES

Manitoba has a relatively diversified economy compared with many other provinces. It has strengths in a number of manufacturing sectors such as transportation equipment, farm machinery, aerospace, foods, furniture, and windows. Free trade and a low Canadian dollar relative to the United States dollar supported expansion in the manufacturing sector during the 1990s. Even with this recent growth, Manitoba remains less dependent on the United States market than the rest of Canada. Many of Manitoba's exports to

the United States are raw resources or manufactured goods related to the resource sectors. Agriculture, forestry, hydroelectric power generation, and mining remain important economic sectors. The service sector within the Manitoba economy represents nearly 50 per cent of the provincial GDP.

The Manitoba Capital Region faces an uphill battle to compete with larger, more affluent regions. According to the 2001 census, 51 per cent of Canadians live in four regions: the Golden Horseshoe around Toronto, Montreal and its regional communities, Vancouver and the surrounding Lower Mainland, and the Calgary-Edmonton corridor. From 1996 to 2001 the population of these four regions grew by 7.6 per cent, compared with only 0.5 per cent for the rest of the country. For the 1996 to 2001 period, the population of the Winnipeg region grew by only 0.6 per cent. The big four regions are magnets that attract people, investment, jobs, and services and have become the dominant centres of economic, technological, cultural, and political power in Canada.

The Manitoba Capital Region has many features that might attract and hold people. It is a friendly and culturally diverse community with numerous museums, art galleries and other cultural venues. The Region is home to a number of professional sports teams, entertainment complexes, and professional arts organizations. Its parks, waterfronts, and recreational areas draw visitors from around the world. There are many attractive neighbourhoods and housing is comparatively affordable. High-quality public education and health care are available throughout the Region, which is also home to three universities and a number of colleges. There have been major initiatives, involving significant

investments of public funds by all three levels of government to strengthen the economy, revitalize communities, and to enhance the Region's competitive position.

Despite its assets and the efforts by governments and others in the community, the Capital Region municipalities have experienced close to flat-line growth. The province and the Capital Region face two major human resource challenges.

Skills shortages

Because there are skill shortages in key sectors of the economy, the Capital Region needs to attract and to retain well-educated and skilled people. For many decades Manitoba has lost a significant share of its younger, better educated, and higher skilled people to other jurisdictions. On an annual basis Manitoba has lost, on average, between 3,000 to 5,000 people to other jurisdictions, mainly to other western provinces. Three-quarters of Manitoba's population growth over the next 25 years is projected to come from immigration. Less than two per cent of Canada's new immigrant population settled in Manitoba in 2001 and, while the province has an admirable record of accepting refugee populations (25 per cent of immigrants), it has received less than one per cent of the business and skilled worker class of immigrants who enter Canada annually. In the knowledge-based, technology-intensive economy of the future, Manitoba must create the economic and social conditions that will both attract and retain people with the competencies for the challenging, innovative, and well paid jobs of the future (Canada West Foundation, *Manitoba in Profile, 2002*; Manitoba Labour and Immigration, *Manitoba Immigration Statistics Summary, 2001 Report*).

Incorporating the Aboriginal workforce

Within five years, Aboriginal people will comprise 25 per cent of new entrants to the Manitoba labour force. Approximately 12 per cent of the provincial population is Aboriginal. More than 60 per cent of Aboriginal people live off-reserve. Over half of the off-reserve population lives in Winnipeg. The Aboriginal population is the fastest growing segment of Manitoba society and, as a consequence, it is relatively young. At present the unemployment rate among Aboriginal people is three to four times greater than that of other Manitobans.

This is not news. Governments have long recognized both the opportunity represented by a growing Aboriginal population and the challenges facing Aboriginal peoples and their communities in gaining access to the opportunities available to other Manitobans. It is also a too little recognized and celebrated fact that there is already a sizeable and growing population of Aboriginal people living and working in Winnipeg and other Manitoba communities who occupy professional, entrepreneurial, and skilled occupations. However, the ongoing transition of Aboriginal people from rural locations to Winnipeg and other built-up centers will require greater involvement, coordination, and responsiveness from Aboriginal organizations, governments at all three levels, businesses, and various non-governmental organizations. It is not part of the RPAC mandate to prescribe new directions in this area, but it must be recognized that the size, age profile, geographical location, labour force participation, and social well-being of Aboriginal people are central to the Capital Region's future. Therefore the RPAC encourages better consultation, co-operation, and co-ordination between Aboriginal commu-

nities and the municipal, planning district, and provincial government authorities.

THE NEED FOR A REGIONAL RESPONSE TO GLOBAL TRENDS

The human resources challenges outlined above are compounded by relentless international economic trends. Globalization refers to both the process and the conditions created by the emergence of a dynamic, integrated world economy. Assisted by new information processing and telecommunications technologies, financing, investment, trade, and corporate decision-making have become more international in scope. National income, employment, rates of growth, and interest rates are more deeply affected by the international economy than in the past. Through their participation in trade liberalization agreements such as the North American Free Trade Agreement, national governments have contributed to the emergence of a global marketplace. International institutions like the World Trade Organization, the International Monetary Fund, and the World Bank have taken on more importance because of the market-oriented policy reforms they promote.

Globalization has economic, technological, political, and social causes and consequences. Its impacts occur on the international, national, and local level. The process is complicated and controversial. For its proponents, globalization is inevitable and beneficial, bringing in its wake freer markets, increased profits and investment, faster economic growth, higher employment, a lessening of poverty, and an opening of previously closed societies to economic and cultural influences. To its detractors, globalization is a disruptive force that places economic considerations

ahead of concerns for the environment and human rights, erodes national sovereignty and democracy, while increasing inequalities both among and within societies. One does not have to adjudicate these arguments to recognize that whether globalization is an opportunity or a threat, it is very much a force that must be reckoned with. Increasingly the argument is being made that the response should be made locally.

Globalization places new constraints on the policy choices of national governments; they no longer exercise the same degree of control within their borders over the major levers of economic and political life as they did in the past. National governments are said to have become too small for the big problems of economic and political life and too big for the small problems. Within Canada, provincial, and local governments have been largely responsible for dealing with the impacts of globalization. In part, this is because these levels of government have control over the policy fields where the necessary adjustments are felt most, such as education and training, labour markets, science and technology, natural resources, the environment, and the new cultural industries. During the 1990s, the Government of Canada's reductions in financial transfers placed additional pressures on provincial and local governments to cope with the impacts of globalization, both in terms of attracting industry and making the related economic and social adjustments.

As national borders diminished in importance, regional locations became increasingly the focal point for economic activity. What have been called "metropolitan regions," "city regions," "citistates," and "region states" have become "the relay points" or "gateways" that link the local communities to national and to

the international economic processes. In his 1993 book, *Citistates: how urban America can prosper in a competitive world*, Neal Peirce noted that local governments that sought shelter behind traditional urban boundaries would be overwhelmed:

The inescapable openness of each citistate covers a breathtaking range. Environmental protection, economic promotion, workforce preparedness, healthcare, social services, advanced scientific research and development, philanthropy—success or failure on any one of these fronts ricochets among all the communities of a metropolitan region. No man, woman, family or neighborhood is an island. (Peirce, p. 22)

Peirce argued that a citistate divided against itself will prove "weak and ineffectual" in the face of the new economic realities. In their 1996 book *Regional Politics: America in a Post-City Age*, H. V. Savitch and R. K. Vogel argued that regions represent more than the sum of their parts:

Industries are fed by a variety of sources, including raw materials, sophisticated transportation, a skilled labour force, research facilities and an environment that can incubate new jobs. Standing alone, neither cities nor suburbs can provide the airports, universities or land to harness these resources. Working together, these generative assets can be combined and coordinated to produce new products or offer something to a world that values technology, information and managerial direction. Like it or not, therefore, localities must find ways to collaborate on policy, planning and development. (Savitch and Vogel, p. 103)

Regional approaches to economic development are increasingly important because industries and people make location decisions on the basis of a range of factors that often go beyond the features of a single city or municipality.

STRATEGIES FOR SUCCESSFUL REGIONS

There is a myriad of reasons why some regions succeed while others become economic backwaters. A strategy on its own is no guarantee of success. To have no strategy, however general, is suicidal. The following strategies are not miracle cures, but they do offer some insight into what various regions have done to improve their chances of economic and social success. Despite their differences, all these approaches depend on various institutions recognizing their role within the region and then combining forces with other groups to pursue regional goals. The priorities can be various: economic development, cluster building, strengthening labour markets, promoting social cohesion, inter-municipal cooperation, and ecosystem planning.

Clustering as a Tool of Regional Economic Development

Industrial clustering is a concept that has recently enjoyed increased popularity in the regional economic development literature. An industry cluster is a group of companies that rely on active relationships among themselves in order to enhance their internal efficiency and their competitiveness. Each firm is part of a cluster of interrelated firms, suppliers, customers, service providers, and supporting organizations. Clusters, it is argued, represent critical masses of information, skills, relationships, and infrastructure supportive of competitive advantage. It is presumed that the relationships central to industry clusters

benefit from geographic proximity. For example, as just-in-time inventories and time-to-market have become key elements of productivity and competitiveness, closeness to suppliers becomes more important.

Beyond strengthening individual firms, clustering provides a basis for the development of strategies to enhance industrial growth within a region. A region with industry clusters can constitute a distinctive economic context because of the specialized resources and the ease with which those resources can be obtained. Governments are paying increasing attention to building the foundations to support competitive firms and competitive regions. These building blocks include:

- the development of a skilled and adaptive labour force
- access to technologies
- the availability of financial capital
- the presence of advanced infrastructure (transportation, communication, energy, etc.)
- close relationships between industries and educational institutions
- a responsive regulatory and taxation structure that balances business competitiveness with community concerns.

A relatively small number of clusters usually account for an important share of the economy within a geographic area and for an overwhelming share of its products and services that are exported. Some of the most recognized clusters in North America are Silicon Valley in California, biotechnology in the Boston region, and the Research Triangle in North Carolina.

The experience in the United States demonstrates that strong clusters enhance the competitive advantage of a region. Clustering need not take place on a large scale. It can start with a small number of firms and grow to include more industries and supportive institutions like private research organizations and universities.

Identifying industry clusters and mapping cluster linkages is an art form, not a precise science; it involves local knowledge and judgements about industry synergies. Clusters will undergo change, including decline, so there is no guarantee of sustained economic advantage, but the clusters approach has worked elsewhere and requires far more of a regional approach to economic development. While Manitoba and Winnipeg policy-makers have been employing the concept of industry clusters for a number of years, the concept could have further value for planning the future of the Manitoba Capital Region.

The Attraction and Retention of Creative People

A somewhat different perspective on the basis for successful regional economic growth is provided by Richard L. Florida in his acclaimed book *The Rise of the Creative Class* (2002). Florida argues that growth and innovation are driven by the location choices of creative people who prefer to work and live in places that are diverse, tolerant and open to new ideas. The creative class that Florida describes consists of scientists, engineers, architects, software developers, and artists. It is both a growing portion of the North American labour force and the driving force of the “new economy.” These people cluster together in what Florida calls Creative Centers:

The Creative Centers are not thriving for such traditional economic reasons as access to natural resources or transportation routes. Nor are they thriving because their local governments have given away the store through tax breaks and other incentives to lure business. They are succeeding largely because creative people want to live there. The companies then follow the people—or, in many cases, are started by them. (Florida, p. 218)

For people working in the creative fields, quality of life involves more than higher incomes and material possessions. They are attracted to locations that offer:

- a “deep” labour market with opportunities to change jobs
- numerous “third places” - venues other than home or work, such as bookstores, universities, cafes, etc. - where they can connect with other people
- authenticity - communities with a sense of history, genuine neighbourhoods and an environment that supports personal expression
- easy access to outdoor recreational opportunities
- diversity, tolerance and openness to new ideas

Florida’s bottom line is that cities need a “people climate” even more than they need a business climate. This requires strategies aimed at attracting and retaining people—especially, but not limited to, creative people. This entails “actively cultivating diversity and investing in the lifestyle amenities that people really want and use often, as opposed to using financial incentives to attract compa-

nies, build professional sports stadiums or develop retail complexes.” (Florida, p. 293) While there is no one formula to build “a people climate,” Florida says that local community leaders need to develop an explicit strategy for their particular economic and cultural circumstances.

The Manitoba Capital Region is already culturally diverse and it has a vibrant set of cultural institutions. Regional leaders recognize the importance of attracting talented people to ensure its economic prosperity and quality of life. There may, however, be advantages in a more systematic examination of Florida’s ideas leading to more collaborative and coherent approaches to their application.

Competitive Regionalism

In a highly competitive international global economy, it is important that the different jurisdictions within a single region limit the degree to which they compete against each other for investment and development. Economic hard times and advancing globalization during the early 1990s put pressure on many local governments to do more to attract capital and jobs to their area. Some measure of competition among local communities is obviously desirable; it can lead to investment, new firms, higher incomes, and economic growth, which can benefit entire regions, not just individual cities and municipalities. However, competition can be excessive and sterile if local municipalities are narrowly self-interested in their attempts to attract development. In such a situation companies may play jurisdictions off against one another to maximize the subsidies they obtain. When companies have already made location decisions based on normal business criteria (such access to resources, skilled

workforces, and telecommunications systems) the provision of subsidies, in the form of land or direct grants, can represent a windfall profit for the owners and shareholders. It can divert scarce tax dollars from higher priority areas of public spending. Since economically prosperous and more affluent communities have advantages in competing for businesses, excessive competition can widen the financial and service disparities among local governments.

A 1988 survey done for the Niagara Region Commission is one of the few empirical studies of the effectiveness of municipal incentives such as cheap land and lower water rates as tools of local economic development. It found that such incentives had little impact on business decision-making and the commission concluded that municipal efforts to promote local economic development were generally ineffective. (See the discussion in Andrew Sancton, *Governing Canada’s City-Regions: Adapting Form to Function*, pp. 58-65.) Such evidence is not likely to cause governments to abandon incentives in support of local development efforts, but it should encourage them to examine carefully the costs and benefits of competition for residential, commercial, and industrial development.

This intra-regional competition has been a particular problem in the United States where there is usually a much higher degree of political fragmentation than in Canada. For example, the Chicago area has nearly 400 governmental units and the greater Cincinnati area has nearly 250 units. “Home rule” laws passed by state legislatures and traditions of local autonomy have made consolidations of political jurisdictions difficult, if not impossible. The difficulty of streamlining jurisdictions in the United States has put pressure on

local governments to adopt various forms of inter-jurisdictional cooperation to promote regional economic prosperity and to achieve cost savings for governments.

“Competitive regionalism” is a concept that has recently come into the literature to describe a way of limiting excessive competition between the governments within a region in order to improve its overall competitiveness. Linda McCarthy writes that in a competitive, region local governments, private and nonprofit bodies work with higher levels of government to coordinate their economic development efforts to secure the full potential benefits for a metropolitan region. In *Competitive Regionalism: Beyond Individual Competition*, a study done for the USA Economic Development Administration, McCarthy writes that regional cooperative efforts “may have the potential to reduce wasteful competition, promote more productive spending of public resources and allow cities to achieve results collectively that they could not accomplish individually.” (McCarthy, 2000, p. 2) This collaboration can include tax sharing and service sharing (which are discussed in the following chapter) or the adoption of partnership approaches to the development and implementation of competitiveness strategies. The following section looks at US strategies for creating successful regional partnerships.

Civic Entrepreneurship

There is an increasing recognition of the role that community leaders play in bringing people and institutions together across sectors and jurisdictions to work on the long-term development of their region. In their book, *Grassroot Leaders for a New Economy* (1997), Douglas Henton, John Melville, and Kimberly Walesh examine how successful city regions

connect clusters of economic specialization with responsive community competencies such as education, infrastructure, and overall quality of life. They describe the leaders who build relationships between the economy and the community as civic entrepreneurs. While these entrepreneurs often come from business, they can also come from government, the non-profit, education, and other sectors.

Community Collaboration

Metropolitan regions across Canada have recognized the potential advantages of regional collaboration. In 1999 an Ontario Competitive City Regions Partnership (OCCRP) was formed to promote “strong linkages and dialogue between business, government, education and community leaders to generate innovative approaches to developing city regions and action plans to galvanize community involvement. Through the Partnership’s activities, the provincial and federal governments are looking for new avenues to support local strategic change.” (Ontario Competitive City Regions Partnership website) The Toronto Board of Trade has concluded, “cities and city regions have emerged as the generators of national wealth” and endorsed five principles for improving the competitive position of Canada’s urban centers (C5 on Urban Competitiveness Principles, Toronto Board of Trade Policy Statement, May 25, 2001). The cities of Moncton and Halifax have created an economic alliance that it refers to as a growth corridor to improve their ability to compete internationally. Similar partnership initiatives are underway in Edmonton and Montreal.

Cross-sectoral leadership

One of the most important characteristics of this North American movement toward

regionalism is the leadership being provided by a broad group of new players—business, labour, non-profits, research institutes, and universities, etc. Secondly, having recognized that they do not have a monopoly on the relevant knowledge and skills, governments are increasingly prepared to share leadership in order to achieve success. Thirdly, because they operate in national and global markets and depend upon regional labour, transportation, communication and housing markets, business leaders are increasingly willing to look past political boundaries and historical bickering among governments to adopt a direct role in the region-building process.

The Memphis Principles Statement, endorsed by more than 400 regional leaders who gathered at a conference on successful regional strategies in October 1999, is a leading formulation of the new regionalism. It can be summarized as follows:

- Regions need new leaders and new roles for traditional leaders.
- Regions need strong cores.
- Regional success depends on self-interest, not charity.
- Neighbors build regions, but first they must build neighborhoods.
- Boundaries don't matter but places do.
- Regionalism needs a multi-pronged agenda.
- Regions are full-service communities helping to sustain us at every age and in every aspect of life.
- Communication is key.
- Regionalism is a continual process.
- No one governing system is right for all regions. ("Crossing the Line: The New

Regional Dynamics", *Governing*, January 2000)

CONCLUSION

Without the built-in natural advantages possessed by other urban regions, the Manitoba Capital Region needs to improve the level of regional cooperation and planning. This can be most effectively accomplished with provincial policy leadership that recognizes other significant players as equal partners.

The Government of Manitoba should make sure that everyone—the City of Winnipeg and the surrounding municipalities, the provincial government, and relevant federal government agencies, business and labour, and social movements and citizens in general— is following the same game plan. The RPAC challenges the provincial government and the sixteen municipalities that comprise the Manitoba Capital Region to develop a strong regional partnership that involves a wide range of non-governmental institutions, organizations, and individuals. As a first step, the proposed Partnership of Manitoba Capital Regional Governments should host a regional summit conference.

In addition to governments, the Summit would involve a wide range of institutions and individuals from business, labour, community and Aboriginal organizations, universities and colleges, think tanks, and others. Such linkages are important because these organizations would bring a diverse range of interests and values to regional planning. They would encourage a longer-range perspective than is possible for elected politicians to adopt on a continuing basis.

Out of such an event, should emerge:

- the outlines of a shared vision for the future of the Manitoba Capital Region and

the commitment to develop a “game plan” for future planning and development

- a set of shared leadership principles and behaviours to guide the ongoing partnership process
- a commitment to work on policy frameworks. These should include economic development, growth management, environmental sustainability and social well being.

The RPAC recommends that:

- 7.1 The Partnership of Manitoba Capital Region Governments host a Capital Region Summit that involves the sixteen Manitoba Capital Region governments along with a wide range of institutions and individuals from business, labour, community and Aboriginal organizations, universities and colleges, think tanks and others. The Summit’s aim would be to achieve agreement on a shared vision for the future of the Manitoba Capital Region and a cross-sectoral partnership committed to realizing that vision. The Summit should be held within one year of the establishment of the Partnership.