



SWOT Analysis Report

City of Edmonton
"The Way We Prosper"
An Economic Development Plan

April 2012





Contents

1	INTRODUCTION.....	4
1.1	THE WAY WE PROSPER	4
1.1.1	VISION AND GOALS	4
1.1.2	A THREE YEAR ECONOMIC DEVELOPMENT PLAN	4
2	SWOT ANALYSIS.....	6
2.1	APPROACH	6
2.1.1	A SWOT DEFINED	6
3	THE BIG PICTURE.....	8
3.1	OPPORTUNITIES AND CHALLENGES FOR ALBERTA	8
3.2	GLOBAL FORCES SHAPING CITIES	9
3.2.1	INNOVATION AND COMMERCIALIZATION	9
3.2.2	THE DRIVE FOR TALENT	10
3.2.3	LABOUR FORCE MOBILITY	11
3.2.4	THE EMERGENCE OF A KNOWLEDGE-BASED ECONOMY	11
3.2.5	SUSTAINABLE GROWTH AND DEVELOPMENT	12
4	MAJOR THEMES.....	13
4.1	STRENGTHS	13
4.1.1	AN EXPANDING AND STABLE ECONOMY	13
4.1.2	A COMPETITIVE BUSINESS COST ENVIRONMENT	14
4.1.3	A SKILLED AND EDUCATED WORKFORCE	14
4.1.4	A COMMITMENT TO SUSTAINABLE DEVELOPMENT	15
4.1.5	A DIVERSE BUSINESS BASE	16
4.1.6	A STRONG NETWORK OF TRANSPORTATION INFRASTRUCTURE	16
4.1.7	A LEADER IN EDUCATION	17
4.1.8	A HIGH QUALITY OF PLACE EXPERIENCE	17
4.2	WEAKNESSES	18
4.2.1	EDMONTON IMAGE AWARENESS	18
4.2.2	AWARENESS AND PERCEPTION OF BUSINESS SERVICES AND SUPPORT	19
4.2.3	INVESTMENT IN PRODUCTIVITY, R&D COMMERCIALIZATION AND VENTURE CAPITAL	19
4.2.4	HOUSING AFFORDABILITY AND COST OF LIVING	20
4.2.5	LIMITED PROFILE IN KEY PROVINCIAL SECTORS	21
4.2.6	EXTERNAL COST CONSIDERATIONS	21
4.2.7	INDUSTRIAL LANDS AND MARKET CHOICE	22



4.2.8	INFRASTRUCTURE AND SUPPORT FOR SMALL AND MEDIUM ENTERPRISES	22
4.2.9	LABOUR FORCE CHALLENGES	23
4.3	OPPORTUNITIES	23
4.3.1	A GLOBAL ENERGY HUB	23
4.3.2	A CENTRE FOR CLEAN TECH	24
4.3.3	INNOVATION AND EMERGING KNOWLEDGE INTENSIVE INDUSTRIES	ERROR! BOOKMARK NOT DEFINED.
4.3.4	CONNECTIONS TO EMERGING MARKETS	26
4.3.5	A YOUNG AND GROWING ABORIGINAL POPULATION	27
4.3.6	A MAJOR EVENTS STRATEGY	27
4.3.7	FOSTER NETWORKING AND COLLABORATION	28
4.3.8	A CLUSTER BASED APPROACH TO INVESTMENT ATTRACTION	28
4.3.9	REGIONAL INTEGRATION AROUND ECONOMIC DEVELOPMENT	29
4.4	THREATS	30
4.4.1	RELIANCE ON ENERGY EXPORTS TO UNITED STATES	30
4.4.2	GLOBAL ECONOMIC UNCERTAINTY	30
4.4.3	EXTERNAL LABOUR FORCE CONSTRAINTS	31
4.4.4	REGIONAL COMPETITION FOR INDUSTRIAL INVESTMENT	32
5	A FRAMEWORK FOR ECONOMIC DEVELOPMENT	33
6	REFERENCE DOCUMENTS.....	ERROR! BOOKMARK NOT DEFINED.



1 Introduction

1.1 The Way We Prosper

The City of Edmonton's *The Way We Prosper* economic development plan is based upon the City's "*The Way Ahead*" Strategic Plan's 10 year goal to "Diversify Edmonton's Economy".

The Way Ahead represents a long term vision for the City and includes six 10 year strategic goals that will direct the long term planning for the City. These goals are intended to strengthen environmental preservation and sustainability, to transform the city's urban form, to project the changes that will be need to be made to ensure a more integrated transportation system and to forecast how Edmonton needs to build its financial capacity and diversify its economy. To achieve this, the City is preparing a series of Directional Plans that will guide the work and municipal policy development in achieving each of the goals. The *Way We Prosper* is one such Directional Plan.

1.1.1 Vision and Goals

The Goal to "Diversity Edmonton's Economy" has been articulated as follows in *The Way Ahead*:

"Edmonton is recognized as an economic powerhouse, maximizing the diversity of its economic advantages, including its location as Port Alberta and a portal to the north; as the urban centre of the regional industrial development; as the knowledge and innovation centre for value-added and green technologies and products; and as a place that attracts and supports entrepreneurs".

1.1.2 A Three Year Economic Development Plan

The Way We Prosper economic development plan will set out three year priority goals and strategies to achieve those goals that address the outcomes for the Way We Prosper strategy as approved by Council:

- **The Corporation is a driving force behind competitive business outcomes and delivers business friendly services;**
- **The City is an advocate in the development of established businesses;**
- **The City supports the development of high potential sectors;**
- **The City attracts talent and investment making it nationally and internationally competitive; and**



- **The City is an effective participant in partnerships and collaborative efforts that strengthen the region and beyond**

In developing *The Way We Prosper*, The City of Edmonton recognizes the economic advantages and leverage points that are afforded the community in terms of its physical location, centres of excellence and its industrial and entrepreneurial advantage with local, northern and Asian opportunities.

Initiatives necessary to implement *The Way We Prosper* economic development plan will be summarized in an implementation plan that outlines corporate and departmental actions necessary to achieve the goals and strategies taking into consideration the current roles of Edmonton Economic Development Corporation and the City of Edmonton.



2 SWOT Analysis

2.1 Approach

The starting point for the City of Edmonton's *The Way We Prosper* economic development plan was a comprehensive analysis of the local and broader regional and provincial economy. This resulted in the preparation of a technical report that discusses the city of Edmonton's recent performance against a select range of demographic and economic indicators considered relevant to the development of the economic development plan, combined with an analysis of current and emerging business and industry investment trends. While more of a review of current conditions rather than a detailed diagnostic report, it serves to inform the discussion as to the challenges and opportunities facing the city of Edmonton in its efforts to enhance its value proposition for the attraction of business, investment and residents to the city.

Building on this work, the SWOT Analysis Report (Strengths, Weaknesses, Opportunities and Threats) provides further indication of the Edmonton's ability and capacity to support the attraction, retention and expansion of business investment. This was accomplished through a lengthy literature review and background research coupled with extensive input from local business owners, key community and provincial stakeholders, economic development partners as well as elected officials and senior management within the City of Edmonton.

One on one interviews and small group discussions were conducted by Millier Dickinson Blais and Western Management Consultants between December 2011 and March 2012. Six focus group discussions geared to the approved outcomes for *The Way We Prosper* were held between February and March 2012. An electronic survey directed primarily to Edmonton's business community was also administered in cooperation with the City of Edmonton and several of the city's local economic development partners. As of March 2012, input and information has been obtained from more than 400 business and community leaders in the city. A detailed summary of the consultation program is provided in the appendices attached to the report.

2.1.1 A SWOT Defined

For the purposes of this report a SWOT is characterized in the following terms:

- **Strengths (Positive, Internal):** Positive attributes or assets currently present in Edmonton, particular in comparison to region and province;
- **Weaknesses (Negative, Internal):** Local issues or characteristics that limit the current or future growth opportunities for the City of Edmonton;
- **Opportunities (Positive, Internal and External):** Areas where the City of Edmonton can remedy its weaknesses (e.g. learning from others,



provincial assistance, strategic initiatives, aggressive marketing or promotion, targeted investment, etc.); and

- **Threats** (Negative, Internal and External): trends that threaten Edmonton's future and attractiveness to new industry, from local weaknesses, global changes or shifts in consumer demand.

	Helpful	Detrimental
Internal	Strengths	Weaknesses
External	Opportunities	Threats

The SWOT analysis that follows provides insight into the challenges and opportunities for the city of Edmonton in its efforts to sustain economic growth in light of the substantial growth pressures being experience by the city and province as a whole.



3 The Big Picture

Without question, global economic trends, particularly as they relate to the production and sale of energy, will continue to afford positive benefits for the city of Edmonton in terms of population and employment growth and a strong local economy. This in turn provides opportunities for a higher standard of living and a greater level of prosperity for the residents of the city than many other city-regions around the world. But these economic trends also pose significant challenges for the city in terms of the increased need for services and infrastructure to meet the demands of its increasing population, the impact of structural labour force shortages as a result of demographic realities, aggressive national and international competition for needed talent and skilled workers, and the potential impact of rapid growth on the city's built environment and quality of life.

The following discussion recognizes several of the larger scale challenges and opportunities facing the Province of Alberta and more directly the City of Edmonton in its efforts to improve overall competitiveness and attract and sustain business investment.

3.1 Opportunities and Challenges for Alberta

While Alberta is experiencing a period of economic prosperity and substantial growth, this performance is largely reliant upon the export of energy (oil) to the United States. With the third largest deposits of recoverable oil in the world, Alberta is not at risk of running out of oil, however, production costs are high, and the global environmental movement and trends towards alternative energy and reduced greenhouse gas (GHG) emissions casts a shadow of uncertainty on the long term outlook of Alberta's energy economy¹. As a result, long term prosperity, increasingly, is dependent upon such factors as productivity, diversification and innovation, both as it relates to the energy sector and the broader economy.

In this regard, Alberta faces some significant challenges. Perhaps one of the most important is in securing and developing a skilled labour force. In the shorter term, the province faces potential labour force shortfalls to meet the demands of all sectors of the economy related to the burgeoning energy industry². But Alberta also faces long term structural labour force challenges as the country's population ages. New and emerging sectors of the economy will require highly educated and highly skilled individuals in disciplines that may be outside the province's core areas of strength,

¹ Report of the Premier's Council for Economic Strategy. Shaping Alberta's Future. 2011

² Alberta Competitiveness Council: Moving Alberta Forward. 2011



placing even greater emphasis on the need for the province to secure and retain a highly skilled workforce.

Recent economic performance suggests that the province is also experiencing comparatively weak productivity levels³. As productivity measures the output of workers, labour force shortages further expose the importance of productivity and getting more from every hour worked. It also reinforces the need for greater levels of investment in both technology and innovation to ensure that this occurs.

With the expansion of the province's energy sector, Alberta has opportunities to further diversify along the energy value chain and into new and emerging growth sectors⁴. For instance, the province has strategies in place to support the development of the hydrocarbon processing cluster in Alberta. There is also opportunity to leverage the expertise that has emerged from the province's energy and natural resource sectors to drive innovation in energy technology, modular construction, as well as engineering and related manufacturing. Further diversification opportunities exist in areas related to reducing the environmental footprint of the energy industry and remediating existing impacted areas.

In envisioning a world beyond energy, the province also sees export opportunities in value added agricultural and forestry products; medical devices, medical science and biotechnology; and information and communications technologies⁵. However, innovation and commercialization to develop new products, processes and services is necessary to capitalize on many of these emerging market opportunities.

3.2 Global Forces Shaping Cities

Notwithstanding the growth opportunities afforded the City of Edmonton from strong energy prices and investment in the province's oil sands, the City will also need to reflect on and respond to the larger global trends that are likely to have a direct and lasting effect on the economic performance of cities across Canada and around the globe.

In preparing the SWOT Analysis Report consideration has been given to Edmonton's current competitive position as it relates to the following.

3.2.1 Innovation and Commercialization

The ability to innovate is a primary determinant of success for businesses. For this reason, cities that can effectively foster and demonstrate a culture of innovation and entrepreneurship are far better positioned to attract businesses and investment that in

³ Ibid

⁴ Launching Alberta's Energy Future: Provincial Energy Strategy

⁵ Report of the Premier's Council for Economic Strategy. Shaping Alberta's Future. 2011



turn generate success themselves. While creativity and innovation is arguably a fundamental platform for growth, cities also need to attract the talent and capital to be able to commercialize that innovation, bringing research and development in specific sectors together with industry and investment that make this happen. Demonstrated evidence of clusters of companies in related fields is also effective in attracting talent and enabling the cross pollination of ideas as employees move among businesses or organizations in the sector.⁶

Successful innovative urban economies are seen to be risk-takers, dynamic, flexible, and digital. They also demonstrate a mix of multi-national and domestic firms, as well as large and small companies together with start-ups. Perhaps most importantly however, is the perceived opportunity for collaboration. A healthy innovative economy will have a wide range of educational, financial, administrative and cultural resources contributing to an 'ecosystem' of innovation. Most cities, including Edmonton, have these resources in some form. Edmonton has a strong profile of national leaders in the public and private sector, paired with the presence of innovative smaller firms in emerging growth industries, and strong post-secondary institutions. In great cities, however, these elements are seen as working together to generate new ideas, and commercialize new products. Indeed, partnerships between businesses, entrepreneurs, government and universities are increasingly the norm, as the refinement and transfer of scientific research converts smart ideas into valuable goods and services, which in turn generate significant returns to the local economy. In order to better support innovation and commercialization, Edmonton needs to ensure that its 'ecosystem' of resources provides adequate support for moving from ideas, to commercially viable and high-value business ventures.

3.2.2 The Drive for Talent

A critical factor that determines whether a city will enjoy sustainable, long-term success is its ability to attract talented workers. It is well-documented that cities with high levels of human capital – typically measured in terms of the educational attainment of the population - experience higher levels of per capita income, productivity and economic growth. Much like the drive for investment, competition for skilled labour is also increasingly global. Young and educated workers, driven by job opportunities and local amenities, are highly flexible and mobile. As a result, strategies to attract and retain a deep, talented labour pool are becoming prevalent in economic development practice across the globe.

Attracting this talent – particularly *international* talent – is becoming a fundamental component of urban competitiveness. Cities are beginning to recognize that, in an international marketplace, the ability to build on linkages between highly skilled immigrants and their countries of origin can create pipelines of global knowledge and trade, and further stimulate increased flows of skilled labour. Where success in this

⁶ Report of the Premier's Council for Economic Strategy. Shaping Alberta's Future. 2011



area was once a specialized strength of select entrepreneurial economies like New York and Silicon Valley, it is now a necessity. As reported by the Alberta Competitiveness Council, cities like Edmonton have an important role to play in welcoming and integrating newcomers and ensuring that the province is an attractive location for workers, investors and entrepreneurs from around the world.⁷

3.2.3 Labour Force Mobility

The level of mobility among highly skilled workers also makes it imperative for cities to provide the amenities and consumer opportunities that these individuals prefer. It is widely reported that when faced with a location decision, people sort themselves by qualities of place, according to their economic, cultural, social and political preferences. As cities become more diverse, these preferences also become more diverse. While the city of Edmonton cannot hope to be everything to everybody, greater consideration of those elements that contribute to a high quality urban experience, such as the continued development of and investment in the downtown, the re-development of the city airport lands, enhancement of the river valley area and an increasing range of cultural and recreational amenities will create greater interest in the City and better enable it to attract and retain a talented workforce.

3.2.4 The Emergence of a Knowledge-Based Economy

The global economy is experiencing a broad structural upheaval. Academic research, popular commentary and economic data support the fact that developed economies are undergoing a transformation to a knowledge-based economy. Intelligence, knowledge and creativity have become the primary inputs of this new economic paradigm, which has a distinctly urban expression. Cities – with their high densities, concentration of command and control functions, and diverse economic, educational and demographic compositions – are the lifeblood of this new knowledge-based economy. This shift has been popularly understood as a rise in the importance of ‘creative’ work, emphasizes high productivity, as well as enhanced cognitive and analytical skills.

This reality generates new challenges and opportunities for cities like Edmonton. Knowledge-based work cuts across all industry sectors and requires higher degrees of educational attainment – including among the immigrant population – and thus, cities are in increased competition for skilled workers. Because knowledge-based industries trade on the skills and expertise of their labour, they are able produce higher value goods and services that generate greater marginal output for the cities in which they are housed. Cities that fully embrace this knowledge-based paradigm are the ones that will be best positioned for future growth and prosperity as these trends continue. A prime consideration for the city of Edmonton in this regard is the continued investment in and expansion of its high value target industries including cross sectoral

⁷ Alberta Competitiveness Council: Moving Alberta Forward. 2011



collaboration and more effective leveraging of post-secondary educational opportunities.

3.2.5 Sustainable Growth and Development

An agenda of sustainability and environmental responsibility is increasingly synonymous with economic opportunity for cities. Clean technologies that improve energy efficiency, conserve resources, and improve existing industrial processes are emerging as engines of innovation and wealth creation for regional economies. The implementation of these technologies within cities, in terms of sustainable construction, use of resources, and waste disposal practices are also becoming a growing imperative. Cities that can differentiate on the basis of these principles can also attract workers and business investment, which increasingly cite effective environmental stewardship as a core consideration for their business.

In 2005 PricewaterhouseCoopers report, *Cities of the Future: Global Competition, Local Leadership*, the authors also emphasized that city governments must ensure that they balance the needs of their citizens with the need to grow the local economy, as the quality of life that is offered is often fundamental to its prosperity. While every city is unique and operates under a different set of economic, environmental and social conditions, it is nonetheless apparent that city leaders around the world will need to develop responses to these issues if they are to prosper and grow in a global economy. Through *The Way We Green* Strategic Plan for Edmonton, the City commits to the integration of environmental principles and strategic actions into land use, transportation, social, economic, and financial decisions made at the local level. The plan represents a strong statement that the City is committed to the triple bottom line approach to sustainable development, which can better position it in a more global economy.



4 Major Themes

The following discussion provides further insight into the perceived gaps and opportunities for the city of Edmonton in its efforts to advance an economic growth agenda and serves to further inform the discussion as to the City's current competitive position and the direction of the Economic Development Strategic Plan.

This discussion is based on the extensive input received from *The Way We Prosper* consultation effort, together with the key findings derived during the development of the strategic plan's technical report. The major themes of the SWOT Analysis are summarized below.

4.1 Strengths

4.1.1 An Expanding and Stable Economy

Edmonton's presence as a major staging and logistical centre for oil and gas and other resource sectors in Northern Alberta and north-western Canada has contributed to the substantial growth of employment in related manufacturing, trade, and construction sectors, as well as the growth of business, and professional, scientific, and technical service firms. Evidence of this growth is found in the city's industrial land absorption rates. Between 2001 and 2010 annual absorption of industrial lands averaged 77 net hectares⁸. The resulting growth and expansion of both the local and regional economy has also led to considerable investment and expansion of the more population-based employment sectors of the economy (i.e. accommodations, hospitality, food services and entertainment), which in turn has positive implications for the attraction of visitors and events to the city, and the attraction of new residents based on the resulting high quality of life experience.

There is also a strong perception that Edmonton's economy has the positive momentum that is driving a high-level of business start-ups in the City. The CIBC Momentum Index placed Edmonton in second place in Canada with respect to economic momentum⁹. The expansion of the regional economy is also expected to continue through 2015 with an annual compound growth in GDP of 3.7%. The region's industrial sectors (i.e. manufacturing, construction, oil and gas, utilities) are expected to drive this growth together with the wholesale/retail trade sectors.

While the energy sector is responsible for the expansion of the economy, it has experienced some volatility. However, the large public sector presence in the city (e.g. Government of Alberta, post-secondary institutions, hospitals, etc.) has provided

⁸ City of Edmonton Industrial Land Supply and Demand Analysis Study 2011

⁹ CIBC World Market Report 2011 Q3



considerable stability to the growth of the local economy in recent years. The stability of Edmonton's economy is also supported through the continued capital investment by the private sector, and through forces external to the City like the positive positioning of the province's economy and the comparatively stable Canadian financial system.

It should also be noted that oil sands development is seen as more stable than conventional oil, which is one of the reasons the most recent recession had less of an impact on Edmonton and Alberta as a whole. Given that most experts agree that the oil sands industry will remain competitive over the mid to long term (10 – 40 years), value-added and spin-off opportunities related to oil and gas are expected to continue offering high-quality employment opportunities, while capital investment in machinery and infrastructure related to the oil sands is expected to bolster demand for industrial goods and non-residential construction.

4.1.2 A Competitive Business Cost Environment

Business costs including the cost of renting and purchasing land and business and property taxes are important decision-making factors for business looking for new areas to invest or to expand their existing business. According to recent real estate outlooks, Edmonton's rental rates of for class A office property is well below that of other western Canadian cities such as Calgary and Vancouver¹⁰. In addition, Edmonton does not levy a machinery and equipment (M&E) tax, giving the city a cost competitive edge for industrial investments subject to an M&E tax in other jurisdictions. Finally, according to KPMG's 2010 Competitive Alternatives Report, Edmonton's business costs are competitive against their average American counterpart in almost all industry sectors evaluated¹¹.

4.1.3 A Skilled and Educated Workforce

Edmonton's workforce is characterized by the skilled, educated, and diverse population that resides in the city, the strong work ethic that is associated with its industrial roots and the entrepreneurial spirit of enterprising small business owners and newcomers with fresh ideas. The city of Edmonton shares in Alberta's strong profile of workers skilled in technical and vocational areas, but the city in particular shows a comparatively higher proportion of residents with a university degree (30.6%) than either the province (27.0%) or the Edmonton CMA (28.0%)¹². Those with a post-secondary degree are particularly concentrated in the fields of architecture, engineering, and related technologies (25%), as well as business, finance, and administration (20%). This has strongly contributed to Edmonton's growth of workers in the so called 'creative' economy.

¹⁰ Market Outlook 2012 at a Glance, CBRE

¹¹ KPMG. (2010). *Competitive alternatives-City profiles*.

¹² Statistics Canada Census of Population Community Profiles, 2006



Edmonton's excellent secondary and post-secondary learning institutions as well as the internal migration of people from elsewhere in Alberta and the external migration of people from other parts of Canada has ensured that the Edmonton business community has access to a comparatively young and technically skilled labour force. In fact, the labour force has grown comparatively faster in Edmonton when compared to either the performance of the province or the broader Edmonton region. Furthermore, Edmonton also demonstrates a growing diversity within its workforce with 24.0% of the population classified as a visible minority as compared to 17.8% across the Edmonton region and 14.7% across the Province.

Despite the global economic uncertainties of the last several years, Alberta and Edmonton's labour force in key industrial sectors (i.e. manufacturing, transportation and warehousing, and construction) and professional services (i.e. finance, professional, scientific, and technical services) has stayed relatively constant. Edmonton was able to retain its work force at a time when other jurisdictions lost workers, especially in sectors like manufacturing and construction.

4.1.4 A Commitment to Sustainable Development

The City's commitment to sustainable development principles and policies is contributing to Edmonton's emerging strength as a green and sustainable urban centre. A competitive sustainability agenda is being built around the City's the Way Ahead initiatives (The Way We Green, The Way We Move, and The Way We Build). Coupled with the Province's Alberta Innovates program, there is strong potential for long term economic growth in the city related to sustainable development and environmental products and services. In part, this has led to the presence of a number of innovative firms in the clean technology sector in Edmonton, focused on water technologies and environmental remediation.

Emerging development policies and master planning on the part of the City play a key role in further conveying the city's intent in this regard. The master plan for the city centre airport redevelopment demonstrates the City of Edmonton's commitment to sustainable development in a real and measured way. Accommodating 30,000 people, the community will use 100% renewable energy, be carbon neutral, and empower residents to pursue a range of sustainable lifestyles choices. The development will place Edmonton at the cutting edge of sustainable urban development and raise the bar for communities around the globe. In an effort to better integrate transportation and land use in the city, there are also plans to pursue the expansion of light rail transit (LRT) in the city as a means of encouraging more transit-oriented and compact development, increased modal split away from the automobile, and greater transit connectivity and ridership across the Capital Region.



4.1.5 A Diverse Business Base

Edmonton is home to a significant number of innovative and nationally recognized leaders from both the public and private sector (i.e. Epcor, Capital Power, Stantec, PCL, Brick and Rexall), with public and private sector leaders like AIMCO, ATB, CWB, and Servus Credit Unions anchoring the city's financial sector. The City has also developed a strong and diverse base of businesses in construction and industrial manufacturing, particularly as it relates to supporting the oil and gas industry and major infrastructure development and has a strong public sector presence most notably in health and education. This in turn has contributed to the city's expertise in emerging areas such health research, pharmacy, nutraceuticals, nanotechnology and information and communication technology.

Small businesses are known to create significant positive economic impacts and employment growth for communities across Canada. The high proportion of small and medium sized businesses in Edmonton has similarly contributed to the stability of the local economy, as they are perceived as being extremely nimble and very competitive. Small businesses have more flexibility to employ niche-based approaches to products, services, and markets, but also have the ability to scale-up and scale-down employees and production to match the boom and bust cycles of the economy. Businesses in sectors like cultural industries and life sciences in Edmonton are seen as particularly adept, having achieved a strong rate of growth despite a comparative lack of public (federal government) and private (Angel, Venture Capital) investment respectively, in the city.

4.1.6 A Strong Network of Transportation Infrastructure

Infrastructure supports the competitiveness of the city with regards to attracting, retaining, and supporting business, but it also supports the high quality of place that attracts new residents. From a business perspective, Edmonton benefits from both the ability to move goods and people internally as well as connections to external markets. Recent and planned LRT expansions facilitate the movement of people to places of work and education and reduce road congestion. The Anthony Henday ring road improves access to many parts of the city, as well as connecting businesses in the city to neighbouring municipalities and the rest of Alberta. Canada's two major rail carriers (CN and CP), its positioning at the cross roads of Highway 16 (northern Trans-Canada) and Highway 2 (CANAMEX), the rapidly expanding international airport and intermodal hub (Port Alberta), and connections to Canada's major oil and gas pipelines and provide a strong business case for businesses to locate and invest in Edmonton.

With the emergence of a regional plan for infrastructure, transportation and transit connectivity in the Capital Region, Edmonton's existing infrastructure provides a strong base upon which to build a more integrated higher-order transit system and other high-quality infrastructure. This can drive advancements in quality of place that make the city more competitive and attractive on an international scale with regards to talent attraction.



4.1.7 A Leader in Education

Edmonton demonstrates considerable strength in its educational programming from its elementary schools to its post-secondary institutions. Alberta and Edmonton's elementary school-aged children routinely show competitive scores in standardized science, math, and reading tests¹³. More specifically, children in Edmonton's public school system routinely outperform their provincial counterparts in languages, science, and social studies. Secondary school aged children outperform their provincial counterparts in a number of subjects, but most specifically in biology, physics, and chemistry. The strength of programming in the public school system provides a strong foundation for the development of a skilled local workforce in the future.

Post-secondary assets in the city like the University of Alberta, Northern Alberta Institute of Technology, MacEwan University, Norquest College and others are important for education and skills development, innovation and research, as well as talent and investment attraction. Post-secondary institutions that offer niche learning experiences in emerging industries such as Pixel Blue College's programming in digital media also contribute to the ability to train and attract talent to the city. Edmonton's institutions are becoming internationally-recognized for technology innovations and energy-related research and knowledge, and more specific to the University of Alberta, environmental mitigation, nanotechnology, engineering, computing, health sciences (biotechnology and cardiovascular), agribusiness, and clean technology. Edmonton is a recognized leader in health care research and innovation as well – the University of Alberta attracts significant investment in health care research and development.

4.1.8 A High Quality of Place Experience

A key strength of the city lies in the overall quality of place experience available to residents of the city of Edmonton, based on first-class recreation amenities, natural heritage features, and work-life balance. The combination of high median incomes and comparatively lower housing costs (when compared to other major Canadian metropolitan areas), provides Edmonton's residents with a unique opportunity to enjoy the natural and cultural quality of place assets in the city.

Edmonton also has a strong appreciation for the arts; it is considered a "Festival City" and residents continue to exhibit higher than average per capita spending on arts and culture based on the profile of events and cultural amenities in the city. In addition to cultural heritage features, the City benefits from plans to add greater vibrancy to the Downtown core, and strengthen its position as the cultural centre of the Capital Region. The City also benefits from strong neighbourhoods, such as Whyte Avenue/Old Strathcona, which have attracted significant private sector investments to improve overall quality of life and continue to add defining features to Edmonton's

¹³ Pan-Canadian Assessment Program Test (2010): Results for Alberta and Edmonton Public School Test Results, 2011



quality of place. Edmonton is bisected by a natural river valley, which represents one of the largest contiguous parkland systems in North America and is the envy of many other major metropolitan areas in Canada. Edmonton's existing and planned natural and cultural heritage features provide a comparatively high quality of place that can appeal to a range of residents and demographics.

4.2 Weaknesses

4.2.1 Edmonton Image Awareness

Throughout the stakeholder consultation process, business and community leaders suggested that there were significant challenges associated with Edmonton's image and awareness. These challenges relate to the external image and perception that non-residents hold about Edmonton¹⁴, and the lack of brand strength/awareness that can be leveraged internationally. When considering the potential to attract new residents and investment from across Canada and the world, an unknown brand (particularly in the international context) can be just as damaging as an incorrect or unflattering brand. Cities must work hard to ensure that their brand or image aligns with the features or assets they wish to highlight, that it has generated local buy-in, that it does not promise what the city is unable to deliver, and that it has the appeal and distinctiveness to stand-out in an increasingly crowded global marketplace.

The local media in Edmonton is also perceived by stakeholders as contributing to a negative impression about the city, which can be particularly problematic if the stories are picked up by national and international media outlets and not countered with stories or information that accurately reflect the reality of living and working in Edmonton. Many residents continue to compare Edmonton to Calgary, which does not contribute to a positive self-image.

In the rest of Canada, Edmonton is associated with 'dirty oil' and cold temperatures. In short, the positive quality of place and economic advantages offered by the city has not translated into a national or international brand image. This can prove to be a problem, as Edmonton competes for migrants from other provinces. Across the globe, Edmonton appears to have little, or no, brand awareness even in centres with more direct ties to the energy sector.

The residents of Edmonton, however, feel Edmonton is a safe, bustling, growing city with great amenities, a wonderful community spirit and a "get it done" attitude. Several organizations including the Edmonton Economic Development Corporation, Edmonton International Airport, City of Edmonton, and the University of Alberta are marketing different aspects of Edmonton to Canada and the international community. To date, these efforts have been largely uncoordinated.

¹⁴ Longwoods International review of the external perceptions of Edmonton, 2008



4.2.2 Awareness and Perception of Business Services and Support

Business and community stakeholders participating in the consultation associated with the Way We Prosper suggested three key areas for change related to the level of awareness and perception of the services and programming support in place for Edmonton's business community. This includes:

While there are several departments, agencies and initiatives engaged in aspects of economic development in Edmonton, stakeholders in the consultation process suggest that the business community has little awareness of the programs. This may also reflect a lack of coordination in the delivery of services.

Select stakeholders also perceive there to be a disconnect between the economic development services delivered in Edmonton and actual needs of the business community. There is a need to increase support for the collection and dissemination of relevant business and economic knowledge, business retention and attraction programming, assessment and support for relevant industry clusters, development and support of small business, and a greater level of effort towards the attraction of value-added economic activities.

Historically, the council and administration at the City of Edmonton had been perceived as unresponsive to the needs of the business community. Stakeholders felt as though the City had lost focus in recent decades (i.e. suburban sprawl vs. compact development, failed cluster support efforts), developed a debt problem, lacked strategic vision and leadership, taken too broad an approach on development areas, implemented development policies that limit affordability, and lost sight of basic competitive factors like tax and utility rates. With that said, the current council is considered the first in a number of years that appears to be approaching these issues more strategically – the city administration needs to follow suit. In particular, to address the perception that the development approvals process moves too slowly.

4.2.3 Investment in Productivity, R&D Commercialization and Venture Capital

Business and community leaders also perceive Edmonton as weak with respect to investments in productivity improvements, R&D commercialization and access to venture capital. These same issues were identified in a recent provincial report on Alberta's Competitiveness¹⁵. PricewaterhouseCoopers noted that while Alberta has achieved a very high level of labour productivity in recent years, growth in productivity has been slow in recent years. Edmonton's business community is also comprised of a high number of small businesses who may not have access to capital funds or might

¹⁵ Alberta's Competitiveness, A Primer for Discussion. Price Waterhouse Coopers, June 2010



not be motivated to invest in productivity improvements. Business and community stakeholders that participated in the consultation program perceive small businesses in Edmonton as complacent and lacking in motivation to invest in productivity improvements choosing instead to simply hire more people contributing to the increased demand, and cost, of labour.

PricewaterhouseCoopers also found the investments in research and development (R&D) by Alberta's business community to be very low. They note that spending on business R&D can lead to the creation of new products and services and without such investments, Alberta is missing out on growth opportunities. This is compounded by the lack of access to venture capital in Alberta to support the commercialization of innovations and business development. Part of this is attributed to an aversion to risk in the investment community, or a reluctance to invest in businesses outside of a 'comfort zone'. This will challenge Edmonton to achieve the council directed outcome related to developing high potential sectors.

Small to medium-sized businesses, spend less on average than larger firms on R&D, product innovation, and ICT innovations than larger firms. The lack of venture capital resources or angel investors in Edmonton further exacerbates the problem, especially for small technology based companies. In terms of competitiveness, the lack of resources and scale in small firms makes it difficult to compete to become tier one suppliers, especially in areas like oil sands development, where local businesses are competing with larger multinationals. Without assisting Alberta's small businesses in this regard the province will not be able to fully access the benefits of the resource sector, as energy firms will continue to source a significant proportion of materials and services from outside of Edmonton and Alberta.

4.2.4 Housing Affordability and Cost of Living

Though incomes have grown substantially over the last several decades in Alberta and Edmonton, they have not kept pace with the increase cost of housing. The gap is less apparent in Edmonton than in Calgary, but housing affordability remains an issue for the province, particularly within the city of Edmonton where household incomes are lower than across the surrounding region and province as a whole. With that said Edmonton remains slightly more competitive than other major metropolitan areas in the country (i.e. Toronto, Vancouver, and Ottawa) in terms of housing affordability, so the city's competitiveness depends specifically on the jurisdiction it is competing with and the skilled individuals it is looking to attract.

Cost of living is projected to rise in the city over the next several years, which may further constrain affordability. Though lower than the projections for Calgary, the consumer price index (CPI) in Edmonton is expected to be higher than across the rest of Alberta to 2014¹⁶, and much higher than the national level.

¹⁶ Source: Conference Board of Canada (2011). Metropolitan Outlook, 2011



4.2.5 Limited Profile in Key Provincial Sectors

Edmonton lacks a strong profile in some of the province's key sectors of employment and prospects, most notably financial services and transportation and warehousing. For financial services, the total proportion of employment engaged in the sector, and the growth of the sector over the last decade lagged that of Alberta; 2.6% employment growth from 2001-2011 in the Edmonton CMA vs. 20.2% growth across Alberta¹⁷. Edmonton's strength in financial services lies in the area of wealth management and pension funds, particularly as it relates to the financial acumen and the strengths of its regional banking alliances. While this aspect of financial services should be pursued in Edmonton, the local sector currently lacks the profile and density that Calgary has, in terms of financial transactions tied to the oil and gas sector and the concentration of financial institutions.

Similarly, employment in Edmonton's transportation and warehousing sector has grown only slightly over the last decade (1.6%) compared to the steady growth of the province (7.6%). The geographic positioning of the City places it at a comparative disadvantage, relative to Calgary, with regards to accessing the U.S. market.

4.2.6 External Cost Considerations

Alberta is generally considered a high cost business location. Labour market pressures/wage increases and demand for resources, facilities, and industrial space has combined to make the province a comparatively high-cost location, especially as it relates to the attraction and retention of industrial manufacturing and production. This has implications for other sectors of the economy that are not experiencing the same rate of growth as the energy sector. Construction costs continue to play a key role in competitiveness and productivity in Alberta as well, especially as it relates to capital-intensive projects in the oil and gas sector. Controlling costs is considered a key element of improving productivity in the province and ensuring its attractiveness to a broad range of industry and business investment.

While Edmonton's combined municipal tax rates are lower than those communities that levy a machinery and equipment tax, the city exhibits higher purchase prices and lease rates for industrial land and facilities. This is largely a result of the standard of development and servicing in the City, which provides a significant advantage depending on the sector being targeted (i.e. advanced manufacturing, life sciences) or may be a disadvantage in respect medium industrial business with storage space requirements. However, larger issues associated with cost (i.e. labour, construction) can be a weakness to supporting productivity and innovation in the city.

¹⁷ Statistics Canada. (2012). Labour Force Survey tables 282-002 and 282-0110.



4.2.7 Industrial Lands and Market Choice

In order to remain competitive, a community must maintain an inventory of available development sites across a range of zoning classifications, including different parcel sizes and configurations. Edmonton currently lacks a full range of light and heavy industrial sites in key medium (5-10 hectares) and large-size (greater than 10 hectares) ranges, which limits the attraction of medium- to large-scale industrial users like manufacturing or transportation/logistics operations.

According to Avison and Young the availability of appropriate land will tighten in the next 2 years¹⁸. In addition, the City's land supply and demand analysis showed there is insufficient supply of parcel sizes of 2-5 hectares in Medium Industrial and Business Industrial designations, a lack of parcels zoned Industrial Business in the southeast and a shortage of Heavy Industrial parcels¹⁹. While the City is preparing the Edmonton Energy and Technology Park, it is not yet investment ready. This projected lack of suitable industrial sites over the next several years could further exacerbate the situation for key knowledge-based sectors that wish to locate in Edmonton, particularly in the city's southeast. Coupled with the demand that may emerge in sectors like life sciences, manufacturing, and engineering and construction industries, Edmonton may be challenged with providing the needed industrial land.

4.2.8 Infrastructure and Support for Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are a source of creativity and innovation and can reflect the entrepreneurial culture of an economy. SMEs play a strong role in Edmonton's economy with over 94% of all businesses having fewer than 50 employees and almost 55% having fewer than 5 employees. SMEs are also present across all sectors of the local economy. While the number of SMEs presents the city with an opportunity to leverage existing local business investment for further economic gains, they also present a challenge in the development and implementation of economic development programming and services. This fact was confirmed during the stakeholder consultation effort.

Edmonton's SMEs operate in highly competitive local and global environment. They need assistance in learning how to do things differently – more with less (productivity) and new products and services (innovation). They also need support in business planning, human resource management marketing and export development. However, these same firms are challenged with finding the time to address these issues and communities will find them difficult to engage, as a result.

Community and business stakeholders have a low level of awareness of key business programs offered. The Province of Alberta, City of Edmonton, Edmonton Economic

¹⁸ Avison Young: Industrial Report Q3 2011

¹⁹ City of Edmonton Industrial Land Supply and Demand Analysis Study 2011



Development Corporation and the city's academic institutions provide a number of support programs to SMEs in Edmonton. The Business Link provides broad based business start-up and support to businesses throughout Alberta. Alberta Innovates supports research and innovation across a range of emerging industries in the province. In the city of Edmonton, the Edmonton Research Park, TEC Edmonton and NovaNAIT provide not only space to emerging industry companies but a place for creative entrepreneurs to share ideas and knowledge with each other. Start-up Edmonton/Flight Path, the National Institute for Nanotechnology, Industry Early Adopter, Industry Needs and Solution and the Infant Sector Alliances Development programs are just some examples of programs and assets in the city to assist emerging industries. In many instances however, community and business stakeholders were not aware of these programs.

4.2.9 Labour Force Challenges

Edmonton and Alberta continue to experience labour force challenges, associated with accessing and developing the skills of the existing work force and the ability to meet changing demand for specialized skills.

The infrastructure to support select demographic groups (i.e. women, aboriginal population, and immigrants) appears to be lacking in Edmonton based on labour force participation and current employment levels. This is particularly apparent as it relates to the city's aboriginal population. While this demographic is active in the workforce they lack the industry specific skills to equalize employment rates with the non-aboriginal population.

While Edmonton exhibits high levels of performance in primary and elementary education, graduation rates at the secondary and post-secondary level are lower than in other jurisdictions. This leaves the city at a disadvantage in developing a skilled and educated labour force to support longer term growth and diversification. On a similar note, community consultation participants believe the post-secondary system isn't placing a great enough importance on skills such as health, science and information and communications technology needed by the city's emerging industries.

4.3 Opportunities

4.3.1 A Global Energy Hub

Energy is the largest contributor to provincial GDP and with the world's third largest crude oil reserves, will remain an important contributor to the economy in the foreseeable future. Statistics Canada reports investment in non-conventional oil (oil sands) will increase by 24.6% in 2012 to \$26.9 billion. As of December 2011 the value of major projects in Alberta stood at \$208.8 billion (including projects that have been



approved or are already under construction). Oil sands related projects alone stood are valued at \$133.6 billion²⁰.

Opportunities in the energy industry extend far beyond the primary activities related to oil, gas and coal extraction. Provincially, primary activities account for only 8% of energy related jobs. The service sector accounts for 58% of energy sector jobs while construction accounts for 24% and manufacturing 7%. Edmonton is a key player in providing service and support to the provincial energy economy with strength in sectors such as industrial manufacturing, engineering and construction and transportation and logistics.

Opportunities exist in both upstream (modular construction, industrial manufacturing and transportation) and downstream (petrochemicals) activities that leverage the province's energy strength. While energy companies seek low cost suppliers; timeliness, innovation, quality and service are also important factors that lead to considerable local procurement. The growth of these industries will be reliant on new oil sands construction, as well as the ongoing maintenance and repairs of existing projects. Edmonton's proximity to the oil sands provides it with a key competitive advantage – timeliness of supply in a competitive market to provide construction and manufactured products.

The City of Edmonton's Northeast Downstream Cluster Demand Analysis reports on the opportunities for Edmonton to capture downstream chemical manufacturing, as well as additional fabrication and processing. These opportunities are not without their challenges including the differential cost of crude oil and bitumen, underutilized upgrading capacity in the United States, the high cost of labour and reduced access of natural gas liquids feedstock in Alberta.

Edmonton should be the home of the Alberta Global Centre for Energy proposed in the Premier's Council for Economic Strategy and be known as a global centre of knowledge, research and innovation in energy. Leveraging the skills and investment that is already present in the city and region provides further opportunity to lead in the development and use of alternative energy sources including solar, wind, geothermal and waste heat. Doing so could potentially result in economic diversification but also contribute to improving the city's competitive position globally as it assumes a level of responsibility for the environmental implications of the energy industry.

4.3.2 A Centre for Clean Tech

While there is no standard definition for clean tech it has been described as "a diverse range of products, services, and processes that harness renewable materials and energy sources, dramatically reducing the use of natural resources, and cutting or eliminate emissions and wastes²¹. In Alberta and indeed Edmonton, the clean tech

²⁰ Alberta Treasury Board and Enterprise Inventory of Major Projects Report, December 2011

²¹ <http://www.gsb.stanford.edu/jacksonlibrary/articles/hottopics/cleantechnology.html>



sector is closely related to the energy sector and has seen tremendous growth in the past decade having focused on water supply and treatment products, remediation services, and products aimed at monitoring and reducing greenhouse gas (GHG) emissions. Future growth is expected to be driven by sustained growth of the energy sector, increased public funding on environmental initiatives, increased private investment, as a result of environmental regulations, and stronger public and political agendas in Canada and abroad aimed at protecting the environment.

With world class academic and applied research institutions, Edmonton is well positioned to realize opportunities in this sector. Edmonton is home to the National Institute for Nanotechnology and at the forefront of nanotechnology related research which can be applied to the clean technologies sector. City of Edmonton corporations and departments including Epcor, Capital Power and Waste Management Services (Edmonton Waste Management Centre of Excellence) are leaders in water, waste and waste water treatment and alternative power generation. Edmonton's Energy and Technology Park will place an emphasis on green and sustainable development serving as an anchor to the advancement of clean technologies in the city. In addition, Edmonton is home to STANTEC one of Canada's largest engineering firms with strengths in water and water engineering and environmental consulting and the Edmonton region is home to a large number of oil field equipment and machinery manufacturers some of which is for the water industry. Like the Global Centre for Energy, Edmonton is the most logical home of the Alberta Institute for Advanced Technology suggested in Premier's Council for Economic Strategy report.

In report a report entitled *Economic Development Opportunities for Environmental Products and Services in Edmonton*, the authors focused their assessment of Edmonton's clean tech sector as it relates to a broad range of environmental products including: environmental equipment, environmental instrumentation, and recycling, environmental construction, and water and wastewater utilities. Environmental services included environmental consulting and engineering services, testing and analytical services, legal services, solid waste management, hazardous management and remediation. They confirmed that the largest market for environmental products and services in Canada is the oil and gas industry, in particular the development of the oil sands. The report also suggests that the environmental products and services industry is a growth industry and that revenues attributed to environmental products and services in the Edmonton market are approaching \$3-4 billion.

4.3.3 Innovation and Emerging Knowledge Intensive Industries

The Province's report *Shaping Alberta's Future* suggests that applying knowledge in new ways to maximize the potential of our natural and human resources and delivering new products and services to market is the correct path to economic diversification. Information and communications technology, health sciences and medical device manufacturing have been identified as potential growth sectors for Edmonton. City



Council initiated the Way We Prosper with 5 council directed outcomes one of which is to support the development of high potential sectors. ICT's opportunities lie in productivity improvements to other industries as well as digital media. Health sciences and medical devices opportunities are supported by the growing research cluster in Edmonton as well as the National Institute for Nanotechnology.

Entrepreneurs and entrepreneurial firms form the basis of diversification driven by technology and innovation. Edmonton supports these entrepreneurs through programs such as TEC Edmonton, Start-Up Edmonton, Venture Prize and supporting networks such as RAlliance. These programs provide business planning and marketing support, market research, commercialization assistance and funding crucial to the success of the city's entrepreneurs. Further support such as targeted incentives to support research and development, industry collaboration, business incubation, technology transfer and commercialization will provide further strength to these emerging industries. Finally, strategic local purchasing decisions by the Corporation of the City of Edmonton and local companies will provide an initial market for local entrepreneurs and improve the success of start-up and small companies in this area.

4.3.4 Connections to Emerging Markets

The Canadian born labour force is shrinking, with national labour force growth now coming from immigration. Statistics Canada estimates that by 2031, roughly one in three members of Canada's labour force will be foreign-born, where that figure was one in four in 2011 and one in five in 2006²². Immigration serves to not only bolster the labour force, but build a talented and skilled labour force. Many new immigrants to Canada are skilled and educated and bring perspectives and experience that can benefit local business. While it is acknowledged that new immigrants are often admitted as dependents (i.e. spouses, children or family members, Edmonton has a rapidly growing population of new Canadians and the city of Edmonton's profile of immigrants has increasingly shifted towards people from emerging markets in Asia and Eastern Europe. This trend offers the city's business community two opportunities.

The first is a pool of skilled and talented workers. Recent arrivals that successfully settle in Edmonton will encourage friends and family members to consider Edmonton as their home in Canada. Second, as Alberta seeks to diversify its export base with growing connections to BRIC and Pacific Rim nations. Diversifying markets for bitumen and upgraded products through landing product on tide water through pipelines and/or rail represents a fundamental diversification strategy. Edmonton based businesses also have the opportunity to build connections with emerging markets. Opportunities exist for potential business connections back to these emerging markets as a way of expanding the city's export market base. Specifically, Edmonton's energy strengths present opportunities to connect with other resource nations that could use Edmonton's energy knowledge (Brazil) and manufacturing based economies

²² Statistics Canada. (2011, August 17). The Daily



(China) that have need of our natural resources. Opportunities exist for the export of education, training and knowledge as well as the export of products.

4.3.5 A Young and Growing Aboriginal Population

Shaping Alberta's Future, prepared by the Premiers Council for Economic Strategy acknowledges that the province's Aboriginal population is the youngest and fastest growing segment of its population. It also recommends that the equalization of educational opportunities between aboriginal and non-aboriginal population in Alberta be a key priority for the province; providing the necessary foundation upon which aboriginal children and young adults can build the skills to participate in the province's shifting economy. This was further recognized in *Capitalize – An Economic Roadmap for Alberta's Capital Region* and is particularly relevant given the emerging labour force shortages.

Currently, the aboriginal population in the city of Edmonton demonstrates a comparatively higher rate of participation in the workforce when compared to other parts of the country. Having said this however, the lower rate of employment when compared to the general population suggests a continuing mismatch in the skills available in the aboriginal population; while there are people available to work, but they remain unemployed because they may not have the skills that are in demand in the workplace. Further engagement of the city's aboriginal population in the employment and opportunities (including skills development and apprenticeship) may assist in driving a greater level of participation in this fast growing portion of the local population.

4.3.6 A Major Events Strategy

Building on Edmonton's reputation as a cultural centre for arts, entertainment, festivals stakeholders were strong in their belief that the City of Edmonton is well positioned to host international multi-sport events such as the Commonwealth Games, Pan-American Games and Youth Olympic Games. This was attributed in part to the city successfully hosting of 4 major international multi-sport events in the past, the diversity of facilities in the city and a strong volunteer base. This experience and available hotel and conferencing facilities also position Edmonton to attract international business and conferencing events. Hosting major events can bring several benefits to the city and aligns closely to the strategic goals of the City.

Major events bring significant direct, indirect and induced financial impact. Direct effects include the goods and services produced to meet visitor demand. Direct effects might also include activities ranging from new construction projects to increased restaurant and hotel expenditures. Indirect effects are spill overs from direct expenditures. Revenues earned are spent on other goods and services in the local economy. Induced effects are those related to increased employment and household income from the event. The hosting of a major event also raises general awareness of the city and can contribute to a more positive image of the community.



Edmonton's positioning as host to major events should focus on those events which are consistent with initiatives included in Edmonton's strategic plans, including sports most attractive to event hosting and likely to be a local success, multi-sport events in which Edmonton has successfully hosted in the past, and events which have the greatest ability to affect financial and social change. However, it should be noted that there is intense global competition in hosting major events and often a high degree of financial and human resource investment required to attract these events.

4.3.7 Foster Networking and Collaboration

Industry, educational institutions, not for profits, government and the City of Edmonton all have a role to play in trade and investment. The Government of Alberta maintains 10 international offices to advance trade promotion and investment attraction activities with Alberta and Alberta based companies. Local industries have international supply chains and are part of a global network of companies. As a result there is tremendous opportunity for the city to strengthen collaboration between regional industry and governments in trade promotion and investment attraction. There is further opportunity to connect local businesses with the researchers in the city's educational institutions as a way to drive greater collaboration around product innovation and commercialization. The City of Edmonton also has the opportunity to promote information sharing, particularly as it relates to competitive intelligence and create stronger networks for sharing knowledge and awareness of investment opportunities.

On the international stage, the City of Edmonton does not have strong brand recognition. The Government of Alberta and the City of Calgary each make individual efforts to raise the level of brand recognition of the province and the cities within the province, particularly as it relates to the industries they are targeting for growth and related investment opportunities. Greater impact will be achieved with the two main cities and the province collaborating to raise awareness of the Alberta brand and the related economic and investment opportunities. It follows that when investors are attracted to the province they will be interested in the unique strengths offered by the province's individual municipalities. Edmonton and Calgary can do more to share investment market intelligence and collaborate to maximize investment in Alberta.

4.3.8 A Cluster Based Approach to Investment Attraction

Cluster theory describes the interactions of concentrations of interconnected businesses, suppliers and associated institutions within particular sectors of business and industry. By building on areas of concentration and interconnectedness within their own community, clusters have the potential to grow local economies. To do so, it is not only the firms engaged in the cluster but the surrounding environment that becomes important. The environment must be entrepreneurial, possess a strong business support structure and have access to the necessary human and financial capital that



ensure growth and innovation²³. Where there is a concentration of business ventures, community organizations and institutional structures that overlap in ways which allow expertise, knowledge and supply chains to be shared, clusters present a real economic development opportunity.

Throughout the stakeholder consultations, the development and support for an industry cluster approach to investment attraction emerged as recurring theme. For instance, Edmonton together with the surrounding region has a clear competitive advantage in energy services and supply, as well as petrochemicals. Opportunities exist to strengthen the existing value chain, but the interconnectedness between firms and the environment needs to be better understood and supported. Technology clusters have also been identified as opportunities for Edmonton particularly Clean Tech. Cluster strategies that include focused planning and investment in infrastructure, as well as clear communication of the value proposition will support cluster development in Edmonton.

4.3.9 Regional Integration around Economic Development

There are multiple regional organizations advocating for economic development across the region, but a clear set of roles and responsibilities built around a consensus of the opportunity is lacking, which makes it difficult to facilitate cooperation and coordination among the players. With more than 20 independent municipalities developing a vision, setting priorities and taking action to attract and support investment, integrating efforts around economic development in the Capital Region is challenging.

However, by communicating the region's strength and expertise across a select number of industry sectors, compiling and sharing competitive intelligence as it relates to the growth and development of these sectors will build a stronger value proposition for the further development of and investment in these areas of the economy. Cluster development strategies can also assist in this regard. This in turn creates the opportunity for reaching a global audience and raises Edmonton's level of awareness on the world stage. Edmonton should play the lead role in developing a more regional economic development organization that includes improving connections with regional industry and educational organizations that could effectively leverage new investment opportunities. Greater collaboration with the city of Calgary in areas of mutual interest (e.g. financial services sector) could benefit the region.

²³ Porter, M (2003). The Economic Performance of Regions, *Regional Studies*, 37 (6) pgs 549-578



4.4 Threats

4.4.1 Reliance on Energy Exports to United States

As the Premier's Council on Economic Strategy points out, Alberta's economy is dependent on the export of oil to the United States. Energy is the primary driver of the provincial economy generating over a third of GDP. Energy is also the primary market for provincial output in professional and technical services, construction, engineering and manufacturing. Put simply, as energy goes so does the rest of the economy. The energy industry is subject to rapidly changing demand, price swings and threatened by the expansion of shale oil and shale gas in the United States (reducing their demand for imports), global geo-political factors and the global environmental movement with the goal of reducing overall global demand for carbon energy products.

The expansion of the energy sector has also led to business cost distortions such as high labour and construction costs that are having a detrimental impact on elements of the economy that are more sensitive to these cost increases. It has also led to complacency and a culture of 'making hay while the sun shines' diverting attention away from the need to ensure that the economy is both innovating and diversifying.

Measures must be taken to both smooth the cycle and prepare for a future where the world no longer needs or demands Alberta's oil. Over the longer term, lower capital investment in the oil sands, potential interruptions in exports and marketability of Alberta resources, and lack of diversification in the customer base (away from US) threatens to undermine much of the stability in a range of sectors - Productivity improvements and product and service innovations in these industries are a key element of longer term competitiveness, as is the diversification of markets served.

4.4.2 Global Economic Uncertainty

Beyond the threats of being an energy dependent economy, the Edmonton economy faces the same threats as the broader global economy. Canada and Alberta are export oriented economies and global shifts resulting in an overall downturn, such as that experienced in 2008/09 could negatively impact Edmonton's economy. There is no shortage of potential threats to the global economy in the world's newswires. Among these threats are volatile commodity prices, as well as the spiking in oil prices, European and American debt, a slowing Asian economy, continued tension between China and the US over currency valuation and potential conflict in the Korean Peninsula.

Alberta and Edmonton's economy is largely dependent on the price of oil. However, the prices of other commodities influence overall trade and economic growth. Increasing commodity prices result in price inflation which in turn results in reduced consumer purchasing and economic slowdown. While economies that rely on the export of commodities might be celebrating rising prices today, there is concern that commodity price thresholds might be reached. The same is true for oil. While the rebound in oil prices has been good for Alberta's economic recovery, rising oil prices



are also a concern. The exact ceiling is not known, but it is generally felt there is a ceiling where the price of oil will drive consumers to alternative sources of energy and bring about a global economic slowdown.

European debt levels are also an immediate concern to economists. While Europe was able to absorb the collapse of Portugal, Ireland and Greece the crises in Italy and Spain are much more of a concern. Overall, Europe continues to face the risk of a recessionary economy and potentially bringing another global financial collapse creating ripple effects around the world. Economists also have their eye on American debt levels.

While the economies of Asia continued to grow during 2008/09, this growth rate has slowed. China has become the world's second largest economy and an engine for economic growth, but this growth is still largely dependent on exports of manufactured goods to the United States and Europe. Consequently, growth in China has slowed in recent years. In addition, the United States continues to press China to release valuation controls on its currency which could further reduce Chinese exports and slow the economy. Alberta has renewed its focus on energy exports to China however, slower growth in China could lead to a reduced need for energy.

4.4.3 External Labour Force Constraints

Attracting and retaining a sufficient labour force is a complex issue. Some constraints related to the labour force are outside the control of the City of Edmonton. The cyclical nature of the energy industry along with increased competition for labour from other jurisdictions poses additional constraints and challenges to businesses in Edmonton. During "boom" times in the energy industry, high school completion declines as youth leave school to access the lucrative opportunities in the workforce. The demand for labour also reduces employers and employees motivation to retrain and develop workers for productivity improvements during leaner times. In addition, wages are also driven up during these times which results in other industries inability to compete for an expensive workforce and being 'crowded out' by the energy industry.

As Canada's workforce ages and the economy of other provinces improve, Edmonton's access to migrants from other provinces will decline. This will increase the need to attract both skilled and unskilled workers from across the globe. In doing so, Edmonton faces an increasingly competitive environment. To strengthen Edmonton's efforts immigrant services programming needs to be extended and marketed to potential residents, immigration applications needs to be processed in a more timely fashion and immigrant skills need to be more effectively applied to the occupations and industries for which they are intended. Programs for temporary workers and immigration are administered federally and beyond Edmonton's direct control.



4.4.4 Regional Competition for Industrial Investment

While there are distinct benefits to regional collaboration, the City of Edmonton, like all municipalities must generate sufficient municipal tax revenue to pay for its operating and long term capital cost commitments. For this reason, it is important that Edmonton continues to attract new businesses and investment to ensure the long term financial health of the City.

Edmonton, however, faces some key constraints in ‘competing’ with neighbouring municipalities for business investment. These constraints include the perceived lack of suitable development sites and the cost of land in the city as compared to neighbouring municipalities. Edmonton is also perceived to have more stringent development guidelines that increase up front development costs for businesses.

In facing these challenges, each municipality of the region needs to understand its own unique strengths and value proposition in attracting industrial and business investment. Edmonton may not be best served in attracting land intensive or low value industrial activity and is perhaps better positioned to attract and grow high value, niche based manufacturing or industry investment that more closely aligns with Edmonton’s strategic priorities or key industry sectors.



5 A Framework for Economic Development

Edmonton has a diverse and growing local economy and is widely recognized as a premier location for business and investment in Alberta. However, with success comes challenges, and there were a number of major themes identified during this phase of the project that were seen to impact the competitiveness of the city, the region and the province over the long term. These include:

- the competition to attract and retain a skilled workforce;
- the need for greater levels of innovation and commercialization on the part of private sector enterprises and the province's educational institutions; and
- the lack of a compelling marketing effort to raise the profile and brand of the city nationally and internationally.

Additional areas of focus for the strategy have also emerged, that taken together provides a strong framework for the creation of the City's new economic development strategic plan. These include:

- the effective positioning of the Edmonton region as a global energy hub for investment and support activities including;
- the effective positioning of city of Edmonton as a Centre of Excellence for Clean Technologies driven in part by the commitment of the City's administration and elected officials to this effort;
- the effective positioning of the city of Edmonton as a sustainable and liveable community; and
- greater effort to support and profile the strong entrepreneurial culture that is evident across all sectors of the economy, as a way to stimulate continued interest and investment in the city.

In the next phase of the City of Edmonton's The Way We Prosper Economic Development Strategic Plan, research, stakeholder consultation and creative planning will come together to develop the framework and strategic direction for the strategic plan. The plan will define Edmonton's value proposition and outline specific activities that will build positive awareness of the city, attract prospects and drive business growth for Edmonton. The critical issues and implications identified in this report will be addressed with specific recommendations and strategies that will effectively address the desired outcomes for The Way We Prosper.



6 Reference Documents

- Technical Report: Economic and Sector Analysis (Millier, Dickinson and Blais Consulting)
- Summary of Findings: Business Leadership Interview Program (Western Management Consultants)
- Summary of Findings: Edmonton Online Business Survey (Millier, Dickinson and Blais Consulting)
- Summary of Findings: Focus Groups (Millier, Dickinson Blais Consulting with Queens University Decision Centre)

Note 1: The Reference documents may be reviewed at
www.edmonton.ca/thewayweprosper

Note 2: A complete bibliography is included in the Technical Report