

Aerospace and Defence Consultation

Tuesday, June 22, 2010

9:00 - 12:00 p.m.

Location: Delta Halifax, Sackville

Champion: Ken Howard, CAE

Facilitator: Kevin Dunn, Dalhousie University

Participants

- Fred Morley, Greater Halifax Partnership
- Blake Mann, ACOA
- Steve Marsden, Lockheed Martin
- Troy Sawler, NSBI
- Gilles Hainse, Fleet Maintenance
- Gordon Gale, DFAIT
- Ron L'Esperance, CFN Consultants
- Steve Elder, L3 Communications
- Tony Good, CFN Consultants (Atlantic) Ltd.
- Catherine MacDonald, Aerospace and Defence Industries Association of Nova Scotia
- Anne Totten, HRM
- Sandra Wood, Greater Halifax Partnership

Session Recorder

- Krista Hall, Greater Halifax Partnership

Observers

- Robyn Webb, Greater Halifax Partnership

Opening Remarks – Ken Howard

1. Project Overview
2. Purpose of Consultation
3. Participant Introductions

Session Introduction – Kevin Dunn

1. Meeting Flow
2. Data Collection Overview
3. Ground Rules

Participant Feedback

Opportunities and Challenges

1. What is your overall reaction to the opportunities and challenges?

- Very relevant list that generated lots of good discussion.
- Holistic approach
- Measurement of the opportunities and challenges is difficult
- Looked at first five opportunities and saw two main groupings.
 - Some are drivers of a healthy economy (e.g. Post-secondary institutions leads to high-paying jobs)
 - Alignment and hub city strategy speaks to the question of what do we do with our assets? How do we use them to drive more effective growth?

2. Is the list complete? If not, what is missing?

- The list is too complete for one morning's worth of work.
- Environmental challenges, educational reform, etc. could be included
- Aerospace and defence's partnerships with NSBI and others have been very important to build and maintain their businesses. The missing piece is how the city fit into this?
- Trades as high-value jobs needs consideration
- Tax incentives is missing
- Immigration is critical
 - Process takes too long
 - Shift to attract and retain
 - Need to make credential recognition easier
- Leveraging public sector presence in Halifax
- Educational reform is required

- Big environmental challenges - manufacturing process, technology process, better gas mileage for jets

3. Is the list accurate? If not, what revisions would you propose and why?

- If NSP rates go up it will force productivity improvements - negative on costs.
- Importance of DND for demand in the aerospace sector
- Shipbuilding is a great opportunity for stability
- How does the municipal government support this sector?

4. From the point of view of your sector, which opportunities and challenges are the most important/least important and why? ** Note: There were two tables of participants. Each

Table = x

From the Point of View of your sector, which opportunities and challenges are the most/least important and why?	Most Important				Least Important
	1	2	3	4	5
Hub City Strategy	xx				
High Value Jobs	x	x			
Alignment	xx				
High Education Level	x	x			
Concentration of Post-secondary institutions	x	x			
Demographic Shift	x		x		
Population Growth	x	x			
Taxation	x	x			
Regulation	x	x			
Inertia/resistance	xx				
Missing the Green Wave				x	
Productivity Growth		xx			
Partnership and Alignment	x	x			
International Focus	x				
Myths on Growth Drivers Need Correcting					
Overdue Public and Private Investment in the Downtown Core					
High Carbon Dependence					

Plenary Comments

- Aerospace and Defence Sector
 - It's a different industry than it was 10 years ago
 - 55% of the aerospace industry is within the region. We have the critical mass. Its GDP contribution in 2008 was more than tourism, fisheries, and agriculture combined.

- Aerospace needs to be linked to the overall economy. Lots of seasonality in Halifax.
- High value jobs, high-education levels and the concentration of post-secondary institutions are key economic drivers
- Most important to the sector are:
 - Hub City Strategy
 - High-value jobs
 - Alignment of the sector
 - Demographic Shift
 - Overcoming Inertia and Resistance
- Population growth, taxes and regulation are all linked.
 - It's very difficult to attract the right type of people. Young people are driven out of the province.
- Alignment, inertia, resistance and taxation are also linked.
- Hub City
 - Ranked as 2 or 1.5 because we think it's strategic to leverage our hub city assets (transportation, aerospace, etc). We're riding the hub city wave.
 - Halifax is an important engine of economic growth (e.g. centre of transportation of goods and people, industry, education, government). Attracts SME's to the region.
 - Hub City is a platform to leverage our assets. It's politically important and sends a signal for investment.
 - Particularly important to the development of a hub city strategy is immigration. We need to make sure immigrants feel welcome and can integrate into our community. We need policies in place that make it easier for people to work in their field – accreditation and certification.
 - Opportunities feed into the Hub City Strategy
 - Hub City is fundamental to the economic strategy
- High-value jobs
 - Ranked 1 or 2 because we recognize aerospace and defence's contribution to GDP as being very high.
 - Many high-tech highly skilled jobs in the sector; high-tech has transformed the sector. This needs more attention.
 - High value jobs more significant in aerospace and defence than in other sectors
 - Cannot focus on only one sector
 - We need a strong base of skilled trades to drive and support growth
 - We need to see a flow down from high management to least skilled. Trickle down and inclusive.
- Partnership and Alignment
 - Ranked as 1. Alignment for the industry is not commensurate to other sectors in the province. Aerospace is leveraging the hub city strategy, etc. We don't feel it is aligned well enough with the three levels of government. There's only one person working on it provincially, none in the municipality, but there are many people at all levels that are working on other sectors

- Resources for knowledge based industry needs to be addressed at the provincial level
- Province needs Department of Industry
- Opportunity in NS to create more alignment between all levels of government and in the education sector
- Alignment of resources and clusters, like Montreal
- Sector model of alignment
- Alignment is critical
- Good support from provincial and federal governments – NSBI, DFAIT, Industry Canada, ACOA, ERD, Trade Team NS, Team Aerospace and Defence
- REP, venture capital, bridge financing, commercialization – need support. Connecting with industry association but need more resources
- High-education level
 - Ranked very high because aerospace and defence is a knowledge based sector compared to other sectors. This industry demands skilled community college graduates, military trained personnel in weapons, avionics, engineers, etc.
 - Educational reform is needed. There are few synergies between programs. Is education well enough aligned to support aerospace and defence? Maybe we should develop two great programs in two post-secondary institutions.
 - Need for opportunities for new graduates to deal with 3-5 years requirement
 - Customized training programs to suit the current job requirements
- Concentration of post-secondary institutions
 - Ranked in the middle. It's helpful to the sector as far as entry level personnel.
- Demographic shifts
 - Ranked #3
 - Look at Halifax vs NS – younger workers
 - Less shift out of the province for knowledge based sectors
 - We should proactively promote the industry to schools and parents
 - This is a key challenge to our future. Human resource partnership of the Aerospace Industry Association. No matter how many entry programs we develop they won't be sufficient to fill the demand. We need to look wider. We need to retrain people from other industries.
 - Immigration
 - Need to have a mind shift to attract and retain people with different cultural backgrounds
 - Nova Scotians more often hire Nova Scotians first
 - Immigration process takes too long
- Missing the Green Wave – brought up two points.
 - 1. What are the processes we use to produce products?
 - 2. Opportunity in aerospace to produce greener technologies for the military and private sector (e.g. Fuel efficient planes)
- Productivity and growth
 - High-level capital investment is required to get into that game. It's expensive to bid and win, and capitalize on the program once you get going.

- If we're going to be competitive we need to be highly productive
- NS has a relatively low level of productivity compared to other places in Canada. Aerospace and defence could bring the advantages we have and drive them down into other sectors of the economy.
- Employing better technologies and better efficiencies/ways of doing things, could also improve productivity.
- Taxation
 - Where are high-wage earners going?
 - Incentives are key to attract and retain people
 - Discourages capital formation
 - 1. Many companies have taken advantage of tax incentives (NS Payroll Rebate Program). Although criticized by some, they help aerospace and defence.
 - 2. High levels of personal taxes. Where are our highly educated people going to go if our taxes are too high?
 - Companies and workers that are operating in the region cannot afford an increasing tax burden.
- International focus
 - Province is very bad at it
 - Canadians are lagging behind other countries.
- Inertia / Resistance
 - Companies need to adapt to change
 - Seeing more inertia in the industry in terms of shipbuilding, etc. Pretty happy with what we see developing in the future. Need to look at new areas to maintain inertia such as aerospace and defence has done with renewable technology with its parent company in the US.
- Regulation
 - Institutional barriers – like security clearances that are required to work in aerospace and defence. We need to develop a framework to get over these barriers. We could find other employment opportunities for immigrants while barriers are being addressed.

[Vision Statements](#)

What is your first reaction to the draft vision statements?

**** Note:** There were two tables of participants. Each Table = x

- Don't like either of them
- Self aggrandizing
- They need to be shorter and crisper
- The rest of the world doesn't know where Halifax is
- "World-class", "Envy of the world", etc – none of these mean anything to anyone

- Vision has to be progressive and goal oriented, but the high-level statements of wanting to be better than everyone else in the world is unrealistic
- Each vision has desirable goals
- We need one vision for HRM that all sectors can relate to
- Downtown core needs a lot of work. Lack of political will to address this.
- Lack of vision in HRM government

Questions 2, 3 & 4

Vision			
	Yes	No	Notes
Do the statements describe what we want to be in HRM?	x	xx	<ul style="list-style-type: none"> • sub-bullets are reflective of what we want • High-level statements – too much hyperbole
Are the statements valid?		x	
Do you see your sector's future represented in the statements?	x	xx	<ul style="list-style-type: none"> • No, because of abovementioned issues • Need to make people more aware of our strengths. Focus on culture. • Visions are not specific to aerospace and defence, but it doesn't need to be. It needs to be generally appealing to the citizens of Halifax and business. We need to feel that the sector is included in the vision along with other sectors, but we don't want to create sub-visions.

If not, what changes would you propose?

Alternate visions

- “Halifax drives its citizens to excellence”

Priority Areas and Strategic Goals

1. Do you agree with the areas and goals? If not, what do we need to add, revise or remove?

**** Note:** There were two tables of participants. Each Table = x

Priority Areas & Strategic Goals: Do you agree with the areas and goals? If not, what do we need to add, revise or remove?					
	Agree	Disagree	Add	Revise	Remove
More and better qualified people for high wage and more productive jobs	x	x			
Development of a vibrant and attractive urban core as the primary economic driver	xx				
Development of an "ecosystem" of entrepreneurship to reduce commercial risk and improve productivity				xx	
Market and enhance assets of Halifax as a "Global City"				xx	

Plenary Comments

- Reflected on the vision - “Halifax drives and recognizes the excellence of its citizens” - to make ranking the priorities a valuable exercise. Thinking about this vision, they thought about strategic areas and goals.
- Halifax as a hub city for Atlantic Canada.
- Need to revise #3 and #4

- Priority #1
 - Top priority
 - Definitely necessary
 - More of an outcome than a goal. High-value jobs have to come from a base of business or activity that is developed. This needs to be the goal. If this is accomplished the qualified people will come. This area needs to be reworded.
- Priority #2
 - Agreed with this priority area
 - This is of secondary importance. Aerospace and Defence doesn’t conduct industrial activities in the downtown core but it takes advantage of the infrastructure everyday (transportation, convention centre, etc)
 - Keep Goal #2
- Priority #3
 - What does “ecosystem of entrepreneurship mean?" Difficultly defining and understanding what this means.

- What is the city’s role? We all agree that we need to support entrepreneurship. There are some programs in place already but maybe the city can add some. Any supported entrepreneurship program must be able to go to market, particularly to the international marketplace.
- Allow us to reinforce our strengths. Leaders in companies need to be able to form a value chain that allows them to win internationally and nationally.
- “Develop collaborative environment that reinforces our natural strengths in the industrial sector and market those strengths nationally and internationally”
- Capability and capacity among industry; competition is ok.
- Identify commodity
- Empower industry association
- Goal #1 - tax incentives (municipal) for commercialization initiatives
- Need export development support
- Priority #4
 - Global city is a hyperbolic. Yes, it’s important to market Halifax, but we need to find out what we are marketing. Pick a focus and market it well.
 - Problem with term “global city.” Let’s identify Halifax as a growth oriented, dynamic, city focused on trade and investment. Talks to what we want to achieve in the city.
 - Change

2. Which areas and goals are the most and least important to the future of your sector?

Priority Areas & Strategic Goals: Which areas and goals are the most/lest important to the future of your sector and why?	Most Important				Least Important
	1	2	3	4	5
More and better qualified people for high wage and more productive jobs	xx				
Development of a vibrant and attractive urban core as the primary economic driver		x		x	
Development of an "ecosystem" of entrepreneurship to reduce commercial risk and improve productivity		xx			
Market and enhance assets of Halifax as a "Global City"			xx		

Plenary Comments

- Rank #1
 - Priority #1 is the top priority. We need to attract more people to Halifax
- Rank #2
 - Priority #3 allows us to develop relationships with new companies - new business for us and them. It puts new ideas on the table. It allows us to create more effective, creative, economic, products.

- Rank #3
 - Priority #4 - market and enhance Halifax
 - Priority #3 – feel this is very important. Downtown Halifax is a disgrace. There are so many vacant lots because of disputes and lack of business focus at all levels of government. If we have a vibrant downtown, we'll be able to retain the talent. They will become part of the creative city as described by Richard Florida
 - We want to become the Boston of east coast Canada. We have the history but we also want to bring in the modern that will attract talent.
- Rank #4
 - Priority #2 - development of attractive urban core. Ranked it fourth not because it's not important, but because we have a number of assets that we can build upon.
 - Priority #4 – marketing Halifax

3. Which areas and goals should we focus on right away in order to give momentum to the implementation stage? ** Note: There were two tables of participants. Each Table = x

Priority Areas & Strategic Goals: Which areas and goals should we focus on right away in order to give momentum to the implementation stage?		
	Focus on Right Away	Comments
More and better qualified people for high wage and more productive jobs	#1, #3	<ul style="list-style-type: none"> • Work closely with educational institutions to make sure we have the right kind of people for the jobs. Community college is doing a good job at this. Universities are slower to respond.
Development of a vibrant and attractive urban core as the primary economic driver	#1, #4	<ul style="list-style-type: none"> • Development of urban core. Something can be done immediately. All three levels of government need to get together and move on this. Utilizing HRMbyDesign.
Development of an "ecosystem" of entrepreneurship to reduce commercial risk and improve productivity	#2, #1	<ul style="list-style-type: none"> • Developing our import and export business could have the most impact. Aerospace and defence could contribute to this.
Market and enhance assets of Halifax as a "Global City"	#3, #2	

4. Do you have any thoughts on how we organize to achieve these goals?

- Having a database of available programs for business. Trying to navigate and understand the variety of programs is challenging. View into what is out there to support the business community. All levels of government have many programs. Some are complimentary and some are competitive. Then you have industry associations and large companies that have programs to support business. How can we put this all together? We need a system to match individual and business needs to programs.
- We can utilize our industry association more effectively by aligning its goals to the economic strategy goals. Work to align industry's goals to the economic strategy and then work to implement the goals of the strategy. Develop a plan to get our industry and government leadership to move ahead on these goals.

Comments

- We need to align the sector strategies, provincial priorities, city's regional plan and federal priorities.

Questions

Where do we go from here?

Minutes from the meetings will be distributed within the next two weeks. We will take all the summaries and take a second cut at the Part A materials. Concurrent with this, towards the end of the summer, the Partnership will take the strategic goals and we will begin to put together teams of people who know most about the issues related to that goal (public and private players) then we will go into a second consultation phase to build the action plan (responsibilities, players, measurement, etc). The output will be a strategic plan and then a number of action plans for each strategic area and goals.

Has Aerospace and Defence been identified as a priority sector?

Yes, it has been. This sector is mature and is key to growth.

Wrap-up

- Next steps will emerge over the summer and fall. We will distribute the summary report as soon as possible.

SECTION 1: OPPORTUNITIES AND CHALLENGES

Thinking about the opportunities and challenges below:

- What is your overall reaction to the opportunities and challenges?
- Is the list complete? If not, what is missing?
- Is the list accurate? If not, what revisions would you propose and why?
- From the point of view of your sector, which opportunities and challenges are the most important/least important and why?

OPPORTUNITIES

Hub City

- Conference Board identifies Halifax as one of 9 Canadian Hub Cities
- Halifax is Atlantic Canada's economic hub.
- Economic growth in Halifax drives an even faster rate of growth in the province and region
- Overall, the region benefits from growth in Halifax

High Value Jobs

- Halifax has critical mass in high-value sectors like Finance, Insurance and Real-estate, Digital Industries, Oceans, Life Sciences, Aerospace and others

Alignment

- Fiscal and economic challenges provide a motivation to realign priorities and spending....to focus on growth in high wage jobs and high value sectors

High Education Levels

- Halifax has among the highest post-secondary education levels of any city in Canada
- Education levels drive economic growth -Research by the US based CEOs for Cities shows that education levels in cities accounts for almost 60% of economic growth

Concentration of Post Secondary Institutions

- Halifax has among the highest concentration of post secondary education institutions and students in Canada
- The sector's value relates to its high wage direct jobs, its ability to act as a hub of research and innovation, and its role as a talent magnet
- As enrolment of Nova Scotia-born students declines because of demographics and high costs, the ability of these institutions to attract and retain international students has significant potential

CHALLENGES

Demographic Shift

- A demographic profile close to the Canadian average within a province that has the oldest population in Canada
- Over 45,000 Nova Scotians will retire from the labourforce and another 9,500 new jobs, all within the broader Halifax area, will be created by 2014
- Thus, 55,000 job openings between 2009 to 2014
- With population growth stagnant it is likely that wage pressure and the need for productivity investments will increase dramatically

Population Growth

- Up until the recent recession Nova Scotia had been battered by outflows of young professionals and skilled workers headed to areas of better economic growth and higher wages
- The population growth rate of Halifax dropped below the pace of major cities in neighbouring provinces
- Immigration has been limited, slower than past trends and slower than in neighbouring provinces

Taxation

- Personal taxation is higher in Nova Scotia than every Canadian province, with the largest differential at the high wage –high skill end of the spectrum
- Corporate taxation is the highest in Canada. Nova Scotia remains one of the last provinces to remove investment inhibiting capital tax
- Nova Scotia needs new investment to boost productivity and retain key companies (If a company is not investing it is dis-investing)

Regulation

- Major regulatory reform usually takes place without full consideration of the economic and business costs
- Regulatory costs affect business climate and ultimately the fiscal health of governments

Inertia/Resistance

- Sectors and groups benefiting from existing programming and current sector focus tend to resist change
- Some members of our elected leadership, the public sector, and implementing organizations may resist necessary change

Missing the Green Wave

- Nova Scotia is among Canada's most carbon dependent provinces
- Tidal energy is an area where Nova Scotia seems to have a competitive advantage

Productivity Growth

- Nova Scotia has one of the worst productivity performances in Canada and Canada is among the worst in the G20
- A policy focus that put jobs growth ahead of quality jobs and a fiscal regulatory climate hostile to productivity improvement has hurt productivity growth

Partnership and Alignment

- There is little strategic alignment of economic development resources among federal, provincial and municipal governments and between agencies and departments of individual governments
- Lack of consensus in areas like gateway, infrastructure priorities, labour force policies and other areas has stalled progress

International Focus

- Nova Scotia has among the worst export growth of any province in Canada over the last decade
- Most business activity is focused on delivery of goods and services in local markets
- The value of externally oriented business and organizations as the key economic generators in our economy is not well understood by policy makers or business organizations

Myths on Growth Drivers Need Correcting

- “Last mile” efforts at a fully “wired” province will have limited economic benefits
- Political and economic policies that emphasize geographic balance over economic opportunity constrain growth
- Traditional areas of government policy attention often focuses on low wage, low growth, seasonal, low skill, low productivity, but vocal industries
- Nova Scotia has missed most of the early stage green-tech opportunities. Most government efforts have been on the regulatory side which often have economic costs. Government investment in Green-tech industry has been limited
- Old style politics, which features urban rural divisions hurt economic growth
- It is likely that net new growth in Nova Scotia will be in the region surrounding and including Halifax

Overdue Public and Private Investment in the Downtown Core

- About 20% of land in the downtown core is vacant land
- Beyond basic maintenance, HRM has not invested in the Core since amalgamation in the mid-90s

High Carbon Dependence

- Adds cost burden to both individuals and companies
- Contributes to greenhouse gas problems

SECTION 2: VISION

Thinking about the vision statements below:

- What is your first reaction?
- Do the statements describe what we want to be in HRM?
- Are the statements valid?
- Do you see your future reflected in the statements?
- If not, what changes would you propose?

Vision – Alternative 1

Halifax is recognized by the rest of the world as a more creative, innovative, internationally competitive, and globally-oriented hub city providing:

- Increased economic and social well-being not only to people in the HRM but also to Nova Scotia and the Atlantic region;
- More high value and sustainable jobs that will attract highly qualified people of diverse backgrounds and;
- A quality of life that is the “envy of the world”.

Vision –Alternative 2

Halifax is recognized around the world as a smart, international and competitive city where:

- X% of the 25-45 year-old population has completed post-secondary education;
- X% of the city’s GDP is driven by international business;
- Is found the most competitive business environment in Eastern Canada and;
- X number of high-value jobs have been created.

SECTION 2: PRIORITY AREAS AND STRATEGIC GOALS

Thinking about the list of priority areas and strategic goals below:

- Do you agree with the areas and goals? If not, what do we need to add, revise or remove?
- Which areas and goals are the most/or least important to the future of your sector and why?
- Which areas and goals should we focus on right away in order to give momentum to the implementation stage?
- Do you have any thoughts on how we organize to achieve these goals?

Priority Area #1: More and better qualified people for high wage and more productive jobs.

Strategic Goals:

1. Development and implementation of a comprehensive learning strategy to re-skill workers to a level that allows them to compete for high wage and more productive jobs.
2. Development and implementation of an enhanced external recruitment and retention strategy to attract and retain high skilled workers from the rest of Canada and internationally.

3. Design and implement an engagement strategy with the young professional community to ensure their active involvement with the design and implementation of economic development initiatives
4. Design and implement a “talent” strategy to ensure that all elements of the population participate actively in the labor market.

Priority Area #2: Development of a vibrant and attractive urban core as the primary economic driver.

Strategic Goals:

1. Develop and implement an aggressive strategy to attract significant private investment to the urban core to address the issue of downtown office and residential stock
2. Implement a 5 year public infrastructure improvement program including targeted service and maintenance improvements.
3. Develop a plan for the building of renowned cultural institutions.

Priority Area #3: Development of an “ecosystem” of entrepreneurship to reduce commercial risk and improve productivity.

Strategic Goals:

1. Undertake a regulatory and tax review to identify and advocate the changes to the policies and regulations at all levels of government that impede economic growth in HRM.
2. Design an engagement strategy between the economic development organizations and the college, university and technical school community to identify and act in partnership on initiatives to support economic development, improve productivity and promote entrepreneurialism.
3. Develop and deliver a strategy for business attraction and retention that targets the creation of highly skilled jobs and limiting the exit of skilled and educated young people.

Priority Area #4: Market and enhance assets of Halifax as a “Global City”

Strategic Goals:

1. Develop and implement an enhanced trade and investment strategy that builds on the current international market development activities underway.
2. Continue the development of an internationally competitive transportation system covering all modes that supports the efficient movement of goods and people.
3. Design and deliver a wide-reaching public relations and communications program designed to change the awareness and perception of the players in the HRM regarding the growth potential and opportunities in