

Canada - United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
Canada - États-Unis
Section canadienne

**Report of the Canadian Parliamentary Delegation respecting
its participation at the 77th Annual Meeting of the Southern
Governors' Association**

**Canada-United States Inter-Parliamentary Group
Asheville, North Carolina, United States of America
August 19-21, 2011**

Report

DELEGATION MEMBERS AND STAFF

From August 19-21, 2011, Mr. Rick Dykstra, M.P., Vice-Chair, represented the Canadian Section of the Canada-United States Inter-Parliamentary Group (IPG) at the annual meeting of the Southern Governors' Association (SGA) in Asheville, North Carolina. He was accompanied by Ms. June Dewetering, Senior Advisor to the Canadian Section.

THE EVENT

Founded in 1934, the SGA is the oldest of the regional governors' associations and has a long history of promoting the common interests of governors of 16 southern US states (see the Appendix).

The SGA provides a bipartisan forum in which to help shape and implement national policy as well as to solve regional problems, improve the quality of life of residents of the US South, and secure an economically vibrant and prosperous American South.

Each year, the SGA holds an annual meeting. Governor Bev Perdue (North Carolina) chaired the 2011 Annual Meeting, which was also attended by Governors Mike Beebe (Arkansas), Robert Bentley (Alabama), Nathan Deal (Georgia), Luis Fortuño (Puerto Rico), Bill Haslam (Tennessee), Bob McDonnell (Virginia), Jay Nixon (Missouri) and Rick Scott (Florida). The focus of the meeting was innovation as part of a strategy for economic growth in the US South.

The next annual meeting will be held in August 2012 in Puerto Rico, when Governor Luis Fortuño will chair the SGA. The focus will be "Growth Beyond Our Borders": creating jobs in, and increasing exports from, the US South through "international trade initiatives and strategic alliances with emerging Latin American markets."

DELEGATION OBJECTIVES FOR THE EVENT

Canada and the 16 US states in the SGA have a mutually beneficial relationship. According to recent figures, about 3 million jobs in those states rely on trade with Canada; recently, the bilateral trade was valued at approximately US\$106 billion in one year: about US\$55 billion was exported from the 16 states to Canada, while they imported approximately \$51 billion from Canada. Canadians and residents of these states are also frequent visitors. In a recent 12-month period, Canadians made more than 6.5 million visits to the 16 SGA states and spent more than US\$4 billion, while residents of those states made approximately 1.9 million visits to Canada and spent about \$1.2 billion.

The Canada-United States Inter-Parliamentary Group aims to find points of convergence in respective national policies, to initiate dialogue on points of divergence, to encourage the exchange of information, and to promote better understanding among

legislators on shared issues of concern. In addition to regular meetings with their federal counterparts, in recent years, members of the Canadian Section of the IPG have attended national and regional meetings of governors as well. At these events, Canadian delegates take the opportunity to engage in the conversations that will help achieve the Canadian Section's objectives, and to communicate the nature and scope of the bilateral relationship.

The Canadian Section of the IPG intends to attend the 2012 and future annual meetings of the SGA and to continue its work in advocating Canadian interests.

ACTIVITIES DURING THE EVENT

During the 2011 Annual Meeting, the SGA held the following plenary sessions and roundtable discussions:

- Industry Perspectives on the American South's Innovation Economy and the Role of States
- Medical Innovation and its Role in the Southern Economy
- Energy and Innovation
- Bringing Innovation to the Marketplace
- Politics Over Breakfast with Governors
- Closing the South's Middle-Skill Gap
- Building a Strategy for Economic Growth in the American South.

This report summarizes the presentations that were made and discussions that occurred at the 2011 Annual Meeting.

INDUSTRY PERSPECTIVES ON THE AMERICAN SOUTH'S INNOVATION ECONOMY AND THE ROLE OF STATES

Steve Case, *Revolution and the Case Foundation*

- entrepreneurs built the United States; their work needs to be celebrated, and they should be provided with additional support when they start businesses and build them to scale
- the "innovation engine" is the "job creation engine"
- there are a variety of initiatives focused on innovation, including:
 - the National Advisory Council on Innovation and Entrepreneurship
 - the Startup America Partnership
 - the President's Council on Jobs and Competitiveness
- both the private and the public sectors should take actions to support entrepreneurship
- "business" has three "layers":
 - large – includes Fortune 500 companies
 - small – includes restaurants, cleaners, etc.
 - high-growth/entrepreneurial – includes high-technology start-up companies

- recently, all net US jobs have been created by high-growth/entrepreneurial businesses

Mike Petters, *Huntington Ingalls Industries*

- the United States needs growth and job creation; both Republicans and Democrats agree that these needs exist
- a discussion about jobs is really a discussion about workforce development
- it is important to ensure that schools are graduating students who have the right skills
- innovation and entrepreneurship are great places for businesses and US states to partner

Jim Goodnight, *SAS*

- software businesses either innovate or die
- if a US state wants economic growth, it should lure software businesses to the state
- the focus should be the creation of an environment where people feel innovative
- unnecessary silos should be removed in order to get better results

Hugh S. (Beau) Cummins, *SunTrust Robinson Humphrey*

- there are three “layers” of businesses – large, small and high-growth/entrepreneurial – and financial capital flows from one layer to the next; these flows are needed for the velocity of capital
- innovation leads to patents, and patents need to be supported by financial capital
- at present, the “capital formation plumbing” in the United States is clogged
- the time it takes to move from venture capital formation to initial public offering has doubled in the United States in the last decade
- between 2000 and 2010, initial public offerings in the United States declined by 60% in value and by 75% in number
- in terms of global initial public offerings, the United States was responsible for 50% of the value of such offerings in the 2000 to 2003 period; this share declined to 27% in the 2004 to 2010 period

MEDICAL INNOVATION AND ITS ROLE IN THE SOUTHERN ECONOMY

Debra Lappin, *Council for American Medical Innovation*

- the United States has been made great by support for basic research, enlightened policies for technology transfer, tax and regulatory systems that support innovation, venture capital financing when it is needed, etc.
- while more government spending cannot be tolerated, innovation must not be equated with spending
- the United States needs a national innovation strategy

- it is not possible to make the federal government inconsequential in the lives of Americans and American businesses

Deirdre Connelly, *GlaxoSmithKline*

- in the last 20 years, there have been relatively significant increases in cancer survival rates and reductions in deaths associated with HIV and AIDS
- the medical industry is facing challenges, including patent losses; \$225 billion, associated with 120 products, will be lost in the next decade because of the loss of patents
- while the loss of patents leads to increased access to generic drugs, the benefits for generic drug manufacturers comes at a cost for patented drug makers
- in the context of the desire to control health care costs, it should be noted that medicines represent only 10% of health care costs; 75% of the costs are attributable to chronic diseases, and chronic diseases affect 50% of the US population
- the medical industry has continued to innovate for the benefit of future generations
- the medical industry needs:
 - an environment that encourages innovation
 - a highly educated workforce, especially with respect to the sciences
 - laws and policies that build on the industry's strengths
 - taxes that provide the right incentives

Anthony Atala, *Wake Forest University School of Medicine*

- regenerative medicine involves creating tissues from organs and assisting the body's natural ability to heal; it has the potential to cure patients rather than merely treat disease, with the result of reduced health care costs
- every seven days, humans have a new set of skin; the lining of the stomach is regenerated every five days
- although it is possible to use the ability of one's own body to regenerate, the ability to regenerate is limited
- medical innovation is only one area where innovation is important
- medical innovation is a significant creator of high-paying jobs
- funding is needed for both basic research and the commercialization of the resulting innovation

James Carlson, *Amerigroup*

- no family is economically prepared for the disability of one of its members
- at least some people need help some of the time
- the focus should be ensuring that the right care is provided by the right provider at the right time and in the right setting

ENERGY AND INNOVATION

Gary Doer, *Ambassador of Canada to the United States of America*

- Canada has many energy opportunities and a great deal of energy innovation
- Canada is important for the United States' energy reliability
- Canada and the United States should develop a long-term energy vision that relies less on oil from the Middle East and countries that lack predictable political stability and democracy, and that relies more on energy cooperation between the two countries
- the Keystone XL pipeline proposal has been held up for more than 20 months at the federal level in the United States; however, the relevant US governors and Canadian premiers support the proposal
- 900 US companies supply inputs to oil sands production in Canada, including machinery, tires and innovation with respect to emissions and reduced water utilization; moreover, 35-50% of the equity in Canada's oil sands is from US investors
- energy innovation will result in cleaner, more reliable energy

Amy Alving, *Science Applications International Corporation*

- there is a lot of energy innovation occurring across all energy sources, including geothermal, biomass, algae and shale gas
- shale gas holds promise for improved US energy independence
- technology will help with the issue of renewable energy storage, including wind and solar
- technology is at the heart of the promise regarding the Smart Grid; it will help to mitigate peak load issues
- technology plays a key role in traditional oil and gas as well in renewable sources of energy
- energy conservation is a form of energy efficiency
- there is no "one size fits all" solution; instead, energy strategies and the energy mix must be tailored to each region
- political decision makers must:
 - define and articulate an energy strategy and a desired energy mix
 - align policies and incentives to support the selected energy strategy

Richard Stoneburner, *Petrohawk Energy Corporation*

- the vision for shale is driven by technology, including horizontal drilling and isolated multi-stage hydraulic fracturing
- US shale gas production has increased six-fold since 2006, and more than 15% of US gas production is now sourced from shale
- the economic recovery in the United States and green initiatives should drive a steady increase in demand for shale gas
- in 2009, shale gas made up 14% of the total US natural gas supply
- global energy demand in 2030 will be about 35% higher than in 2005

- shale has the ability to take the United States to a greener, more stable nation, both politically and economically
- the future of shale depends on market development to spur demand

James Rogers, *Duke Energy*

- the power sector is energy independent today, and energy security exists because the United States generates electricity from coal, renewable energy sources, etc.
- aging infrastructure needs to be modernized; for example, an analog grid is being used in a digital world
- US communities should become the most energy efficient in the world
- the real price of electricity will rise relatively dramatically over the next few decades because of regulatory requirements, the costs of modernization, etc.
- customers expect reliability 24 hours per day, 365 days per year
- regarding energy, tradeoffs exist among affordability, reliability and clean
- there is no “silver bullet,” and all energy sources must be “in play”

BRINGING INNOVATION TO THE MARKETPLACE

J. Bernard Machen, *University of Florida*

- start-up businesses should be nurtured in order that they can become major employers; some “little fish” must grow into “big fish”
- US states can, and should, invest in basic research and in start-up businesses
- start-up businesses often have difficulty bridging basic research funds from government and venture capital financing

C. Michael Cassidy, *Georgia Research Alliance*

- leveraging is about starting with something small and making something big
- a discussion about competitiveness cannot occur without a discussion also occurring about innovation, and a discussion about innovation cannot occur without a discussion also occurring about talent
- smart people attract other smart people
- basic research and basic research infrastructure are needed in order to have innovation
- investments in equipment and facilities are needed in order to advance “frontier” research
- commercialization is required in order to move discovery and invention from the lab to the marketplace
- in universities, technology transfer should be strengthened, networks with the private sector should be expanded, and faculty and students should become more entrepreneurial
- there is a need to recruit more “bankable” management, or experienced executives, who know how to grow start-up businesses

- more early-stage investment should be encouraged

Jud Bowman, *Appia*

- the geographical location of venture capital dictates where start-up businesses locate
- the availability of venture capital in California means that many entrepreneurs locate there; in 2010, 50% of US venture capital funds were raised in Silicon Valley
- about 31% of venture capital funding is seed and early-stage financing
- at the end of the day, entrepreneurs cannot take advantage of their ideas without capital
- capital should be directed by intelligent effort
- seed and early-stage funding is the most critical
- once the first round of funding has been gained, the business will either succeed or fail; if the business succeeds, it is relatively easy to raise funds for expansion

Bill Brown, *8 Rivers Capital, LLC*

- in the 20th century, the period from 1929 to 1941 saw the most technological advancements
- in some sense, the Great Depression was like a forest fire, resulting in great new growth; arguably, former US Federal Reserve Chairman Alan Greenspan prevented another forest fire and, from that perspective, is responsible for a lack of new growth
- innovation is the most enduring way in which to generate jobs
- it is important to ask the “so what?” question first, and not to let technology drive innovation; the process should be:
 - define the goal or opportunity
 - identify big problems in attaining the goal or opportunity
 - find less expensive and better solutions to the problems
 - bring the solutions to the market
- the focus should be on creating an environment that consistently produces high-impact innovation that financial capital will seek
- universities should spur impactful innovation; universities are key resources in the innovation process, and technology transfer offices in universities should be converted into start-up facilitators
- government should provide the proper incentives and create an environment where local financial capital can be put to use locally
- investment decisions should be made by those who provide the financial capital
- government should focus on making investments where the private sector does not operate effectively; as well, government should focus on big problems and should let financial capital in the private sector pick the best solutions
- businesses should be engaged in the innovation process, and symbiotic relationships should be developed between established and start-up businesses;

start-up businesses have ideas but no market expertise, while established businesses have expertise but lack impactful ideas

- financing sources should be allocated according to scale; venture capital entities, corporations and governments all have a role to play, since venture capital financing is not the answer to all needs
- “local financing” should occur, since it fuels local returns to fuel the local economy; there should be an established pipeline of funding for angel and venture capital investors, and successful entrepreneurs should be encouraged to invest in new start-up businesses

POLITICS OVER BREAKFAST

Ms. Kelly O’Donnell, who is the NBC Capitol Hill Correspondent, moderated a discussion with the SGA Governors.

Question for Governor Scott: What is the biggest adjustment you faced when assuming your role as governor?

Answer by Governor Scott: I did not realize that so much of the job involves talking to the media and raising funds.

Question for Governor Deal: What is the difference between representing Georgia in the US House of Representatives and being Governor of Georgia?

Answer by Governor Deal: The biggest difference is that, as governor, you can get something done. Another difference is that, since the state legislature sits on a part-time basis, decisions must be made in a more compressed time frame

Question for Governor Beebe: How do you feel about not running for governor in the next election?

Answer by Governor Beebe: After you have been the governor of a state, why would you want to be anything else? As governor, you can get something done.

Question for Governor Bentley: What are your comments about the transition from medicine to public life, and to what extent is dealing with patients the same as dealing with constituents?

Answer by Governor Bentley: I got elected because I could deal with voters in the same way that I deal with patients. I care about them, and for them, in the same way. Parties do not elect you; people elect you, so you need to care about them.

Question for Governor Perdue: In light of your election as the first female Governor of North Carolina, was gender an issue during the campaign and does your gender influence the way in which you govern?

Answer by Governor Perdue: My gender was not an issue during the campaign, since voters in North Carolina are sophisticated and they focus on the person when casting their ballot. Gender, creed, etc. are not a consideration for voters in North Carolina.

Question for all Governors: Is there anything that you have learned from your staff that has saved you from making a terrible mistake or that has helped you in some way?

Answer by Governor Beebe: Since governors cannot know everything, staff make you or break you.

Answer by Governor Scott: Staff who have been around for a period of time provide important “corporate memory”: what has been tried and worked, what has been tried and not worked, etc.

Answer by Governor Deal: Many staff in Washington are very young, but they are also very smart and they work very hard; the elected official for whom they work tempers that hard work with experience and wisdom.

Answer by Governor Perdue: In choosing staff, look for bright people who are relatively more intelligent.

Answer by Governor Bentley: A governor spends a lot of time with his or her staff, so it is very important that the staff are likeable. As well, it is beneficial if staff are more intelligent than the governor. Finally, it is important that the governor and his or her staff “have each other’s back” and are mutually supportive.

Question for Governor Bentley: Is there anything that you have done that you would like to re-do?

Answer by Governor Bentley: At times I, like other people, say things that I should not, even if they are true. If that situation occurs, it is best to apologize and then move on.

Question for Governor Deal: What are the impacts of public life on the family of those who are elected?

Answer by Governor Deal: Often, the children of politicians grow up in the political arena and in the public eye. While it used to be the case that the family of an elected official was “off limits” for purposes of the media, now the family is scrutinized in the same way as the official.

Question for Governors Scott and Perdue: Have you ever regretted running for elected office because of the impact on your family?

Answer by Governor Scott: I regret it every day. Since my family did not run for public office, it should not have to pay the price of my public service.

Answer by Governor Perdue: My sons grew up in the public eye and have had great opportunities as a result. On balance, I believe that my family has benefitted from my public service. In addition, my family was involved in my decision to run for elected office.

Question for Governors Scott, Bentley, Deal and Perdue: Do you have any comments to make about the explosion of social media?

Answer by Governor Scott: My office uses both Facebook and Twitter, although I do not personally tweet.

Answer by Governor Bentley: My office uses social media, but staff use it on my behalf.

Answer by Governor Deal: Like Governor Bentley, my office uses social media but others use it for me.

Answer by Governor Perdue: One should be cautious when using social media, since what is posted can come back to haunt you.

Question for Governors Scott and Bentley: If staff does certain work for you, such as using social media on your behalf, is there a risk that you will become out of touch with voters?

Answer by Governor Scott: My daughters keep me current on technology, some issues, etc.

Answer by Governor Bentley: I have a personal cell phone, a personal email address, etc. for which I – rather than the state – pay.

Question for Governors Perdue and Beebe: Is there anything of which you would like more or less?

Answer by Governor Perdue: I would like to have more time.

Answer by Governor Beebe: Since my time as Governor of Arkansas is drawing to an end, I would like more time to get things done.

CLOSING THE SOUTH'S MIDDLE-SKILL GAP

Eric Seleznow, *National Skills Coalition*

- the term “middle skill” is generally interpreted to mean “more than a high school diploma but less than a four-year degree”
- the skills of the US workforce need to be enhanced, and investments need to be made in the “forgotten middle”
- the demand for those with middle skills will continue to be strong in the US South, and – with demand exceeding supply – there will continue to be a middle-skill gap in the region
- between 2008 and 2018, 44% of all job openings in the US South will be middle-skill jobs
- in the US South, the workforce of tomorrow is the workforce of today; those in the workforce in 2010 are likely to be in the workforce in 2025, since 66% of the people who will be in the US South’s workforce in 2025 were already working adults in 2010
- a skilled workforce is needed in order to have economic growth and development
- a business-driven workforce system and a cohesive approach to workforce development are required
- the United States needs a “pipeline” of workers, and the focus should be on education from kindergarten to college/university as well as lifelong learning
- a three-part policy framework could be used to close the middle-skills gap in the US South and to promote an innovation economy:
 - sector/industry partnerships – engage all stakeholders and ensure that investments in education and training are targeted to meet the skill needs of local industries, and develop customized solutions for an industry at the regional level
 - career pathways – align adult basic education, job training and higher education systems to create pathways to post-secondary educational credentials for those who want to continue to work while they acquire training
 - cross-agency credential measurement – collect and align outcome data across the range of agencies that make human capital investments
- there is a need to:
 - set a bold goal for the number of people to be trained with market-ready skills
 - change perceptions about middle-skill jobs and indicate the importance of these jobs to key industries as well as to an individual’s future prosperity
 - direct training funds to in-demand credentials that are aligned with jobs
 - convene industry leaders with a view to developing solutions and a plan for getting trained workers to fill key middle-skill occupations

James Wiseman, *Toyota Motors North America, Inc.*

- businesses should work with career and technical schools on curricula development, certification standards, etc.
- the “customer” of the education system is the employer

- the skills gap in the United States started to develop several decades ago as parents urged their children to become doctors and lawyers rather than tool and die makers, for example
- “needs” include:
 - people who are multi-skilled
 - a greater focus on sustainable manufacturing
 - partnerships with educational institutions
 - a greater emphasis on cooperative programs in educational institutions

Fred Dedrick, *National Fund for Workforce Solutions*

- employers, educators, those responsible for economic development and other relevant stakeholders should collectively identify workforce needs and develop solutions
- the focus should be meeting the workforce needs that have been identified by industry
- in order for economic development to occur, there must be the right number of people with the right skills
- education and training decisions should be data-driven; data should become information and then intelligence

Keith Bird, *Corporation for a Skilled Workforce and Kentucky Community and Technical College System*

- credentials matter, since credentials mean skills
- credentials should be relevant to the needs of the market in the sense that they meet the needs of employers
- learning outcomes should be measured and standards should be developed
- a rigorous system is needed whereby:
 - the right competencies are being taught
 - students are able to demonstrate their competence
 - assessments are effective
 - credentials reliably demonstrate competence so that employers know that a person with a particular credential will be able to do the job
- a “credit hour” is not necessarily equivalent to “learning”
- the links between credit and non-credit learning should be expanded
- people must be taught to learn on an ongoing basis; the job-specific skills that are required will change, and people must – in light of these changes – know how to learn and re-learn skills throughout their lifetime

BUILDING A STRATEGY FOR ECONOMIC GROWTH IN THE AMERICAN SOUTH

Governor Nathan Deal, *State of Georgia*

- an important focus is energy, and US states are under pressure to put strong renewable portfolio standards (RPSs) in place

- the adoption of high RPSs by European Union countries creates opportunities for the United States; for example, in Georgia, pine tree pellets are being exported, gear boxes for wind turbines and solar panels are being built for export, etc.

Governor Rick Scott, *State of Florida*

- with the recent end to the United States' space shuttle program, opportunities and highly skilled workers are available in Florida
- in order to accelerate ideas, the business community and educators should work together

Governor Jay Nixon, *State of Missouri*

- the size and skills of the workforce are important
- there is a connection between education and employment
- with so much student debt at graduation, new graduates do not become immediate consumers of cars, houses, appliances, etc.

Governor Mike Beebe, *State of Arkansas*

- the cost of higher education is rising
- although there is something to be said for "learning for learning's sake," there is also something to be said for teaching and learning in order to meet the needs of employers
- since, in some sense, US states have common problems, they should share and borrow each other's best practices

Governor Robert Bentley, *State of Alabama*

- at present, Alabama is focusing on:
 - recruitment of new businesses/industry
 - retention of existing businesses/industry
 - entrepreneurship and innovation

Governor Bev Perdue, *State of North Carolina*

- people outside the US South think of the region as rural and agrarian; this perception is incorrect
- the US South is characterized by high-technology industries, innovation, etc. in addition to having rural regions and an agricultural focus in some regions

Respectfully submitted,

Hon. Janis G. Johnson, Senator
Co-Chair
Canada-United States
Inter-Parliamentary Group

Gord Brown, M.P.
Co-Chair
Canada-United States
Inter-Parliamentary Group

Appendix

US STATES IN THE SOUTHERN GOVERNORS' ASSOCIATION

Alabama
Arkansas
Florida
Georgia
Kentucky
Louisiana
Maryland
Mississippi
Missouri
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
Virginia
West Virginia

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	77 th Annual Meeting of the Southern Governors' Association
DESTINATION	Asheville, North Carolina, United States of America
DATES	August 19-21, 2011
DELEGATION	
SENATE	Ø
HOUSE OF COMMONS	Mr. Rick Dykstra, M.P., Vice-Chair
STAFF	Ms. June Dewetering, Senior Advisor
TRANSPORTATION	\$3,113.28
ACCOMMODATION	\$962.77
HOSPITALITY	\$Ø
PER DIEMS	\$492.92
OFFICIAL GIFTS	\$Ø
MISCELLANEOUS/REGISTRATION FEES	\$2,415.08
TOTAL	\$6,984.05