

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 5th Annual Conference of
the Southeastern United States-Canadian Provinces
(SEUS-CP) Alliance**

Canada-United States Inter-Parliamentary Group

Myrtle Beach, South Carolina, United States of America

May 20-22, 2012

Report

DELEGATION MEMBER

From May 20-22, 2012, Mr. Rick Dykstra, M.P., Vice-Chair of the Canadian Section of the Canada-United States Inter-Parliamentary Group (IPG), represented the IPG at the fifth annual meeting of the Southeastern United States-Canadian Provinces (SEUS-CP) Alliance in Myrtle Beach, South Carolina.

THE EVENT

The SEUS-CP Alliance is a trade- and investment-focused partnership among six southeastern U.S. states – Alabama, Georgia, Mississippi, North Carolina, South Carolina and Tennessee – and seven Canadian provinces – Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Quebec. The group was established in 2007 to serve as a forum through which common interests in enhancing economic ties between the two regions could be advanced.

Delegations from each jurisdiction have met annually for the last four years for a business-to-business conference. The delegations, led by state governors and provincial premiers, include business and industry leaders.

The fifth annual conference was co-hosted by South Carolina Governor Nikki Haley and New Brunswick Premier David Alward.

DELEGATION OBJECTIVES FOR THE EVENT

This conference marked the third occasion on which members of the Canadian Section of the IPG have attended a meeting of the SEUS-CP Alliance. In some sense, the Alliance is the eastern counterpart to the Pacific NorthWest Economic Region – PNWER – that involves representatives of the public and private sectors but that typically does not include participation by U.S. governors or Canadian premiers.

The Canadian Section continues to note the practical nature of the Alliance's conference and the attendance of a number of U.S. governors and Canadian premiers, which – from one perspective – indicates the stature of the SEUS-CP Alliance and its accomplishments.

The Canadian Section intends to attend future annual meetings of the SEUS-CP Alliance and to continue its work in advocating Canadian interests, particularly with US governors and business interests.

ACTIVITIES DURING THE EVENT

The 2012 SEUS-CP Alliance conference was comprised of business-to-business matchmaking meetings and the following plenary sessions:

- Opening Ceremonies
- Town Hall Session
- Discussion: Economic Business Outlook and the Southeast United States
- Town Hall Session
- Discussion: The Future of Manufacturing
- Discussion: Beyond the Border: Ensuring Efficient Can-Am Trade in a Tightened Security Environment.

ECONOMIC BUSINESS OUTLOOK AND THE SOUTHEAST UNITED STATES

Wells-Fargo's Mark Vitner and the TD Bank Financial Group's Derek Burleton provided an economic outlook. They said that in spite of the economic difficulties of the past few years, there seems to be a resurgence in both Canada and the Southeastern United States. Regarding the United States, it was suggested that success in the United States was a result of lowered input costs. While the U.S. economy is growing, the prospects for the global economy continue to be uncertain. Once the upcoming U.S. federal election has passed, the route to economic security will be more certain. That said, the debt situation continues to worsen and a debt ceiling debate will be needed before the next election. There are too many obstacles that must be overcome before immediate improvements can be made. There is continued debate about extension of the tax reductions enacted by President George W. Bush and speculation about the \$1.2 trillion in budget reductions triggered by the Congressional sequestration agreement.

The employment rate in all 50 states is strong, and jobs are being added across the country. An undervalued currency gave the manufacturing sector a false sense of security, but the sector is expected to revive over the next two years, in part because of trade agreements. Corporate tax rates in the United States are among the lowest in the world.

Regarding Canada, the economic growth rate – to date in 2012 – is 2%. Spending reductions are occurring, the employment rate is strong and gas prices are falling. Recovery is at half-speed with good employment numbers and lower gas prices. As well, strength in the auto sales sector is stimulating the national economy. Despite the ongoing debate about the Dutch disease, the Canadian manufacturing sector is growing.

Re-arranging the workplace is easier to do without unions; consequently, some Canadian manufacturers are moving their operations to the United States, where productivity is higher. Canada is focusing on immigration reform and, in particular, is making changes to the Foreign Skilled Workers program so that immigration can support economic growth. Regarding energy trade, while the proposed Keystone XL pipeline has not been fully approved in the United States, the pipeline is needed in order to increase Canadian energy exports to the United States.

In terms of economic indicators, it should be noted that there is no reason to be overly concerned about the Canadian economy. Real disposable income has shown no growth over the past two years, Canada's four largest banks are still "repairing" their balance sheets from the recession, there is a continuing need for the credit market to improve, there is an ongoing concern over doing business with China, and governments in both countries have been focusing on the short and medium term, although an exception to this assertion is the proposed changes to Old Age Security that are designed to provide stability and sustainability for the long term.

Vitner and Burleton also provided comments about Greece and China. According to them, the economic situation in Greece and the implications for the European Union will have a significant influence on Canada and the United States; a political response will be necessary. In their view, the problem will not be solved simply by having Greece removed from the Eurozone. Greece's departure would cause economic problems for countries that have contracts with Greece that are valued in euros. Regarding China, it was indicated that, while there is not a formal recession, demand has decreased. A more general global slowdown has not significantly impacted the United States' economy. In fact, there has been growth of 7%. Economies are slowing down but still growing.

TOWN HALL SESSION

Governors and premiers discussed what has worked in their states and provinces. In particular:

- Ontario plans to work with companies that are innovative and environmentally friendly.
- Tennessee has initiated an energy-efficient loan program for businesses to encourage them to pursue energy-saving projects that will be both environmentally responsible and cost-effective in the long term. In particular, the program is designed to help Tennessee companies finance investments in energy-efficient technology, energy retrofits and renewable energy systems. Administered by Pathway Lending, the program offers access to below-market rate loans, financing up to 100% of

improvements aimed at reducing energy consumption, thereby lowering costs and improving profitability.

- In South Carolina, there has been a surge in the aerospace industry, in automobile manufacturing and in tire production. South Carolina has become the state in which to build things.
- Quebec is providing workforce training and investing \$45 billion in infrastructure.
- Prince Edward Island has been fostering economic growth. The province believes that good entrepreneurs need to be innovative, and that the government should create an environment that facilitates the creation of jobs and a tax system that fosters growth; training is the key component of all of this. Bio-science is critical to the province.
- In Alabama, the unemployment rate 7.2% and is falling. The state believes that innovation is the key to success, and an economic development alliance has been established. The private sector, the state's Department of Commerce, Alabama's utilities commissions, and the state's universities and colleges have cooperated in the development of the "Accelerate Alabama" plan. The plan began in early 2012 after six months of planning, and it targets 11 business sectors to recruit people to fill new jobs. The plan outlines new legislative goals to help improve existing resources, and focuses on job creation through innovation, entrepreneurship, commercialization, and research and development. Focuses for business growth and development include the aerospace and defence sectors as well as the automotive and agriculture sectors.
- In Georgia, there has been a focus on innovative health research, and Georgia Research Alliance (GRA) – which has operated for more than two decades and provides an integrated approach to economic development – has been successful in facilitating the entire process, from assisting with money for research to helping the start-up business get the product to market. It has created 28 nationally recognized centres of research excellence, recruited scholars, attracted federal and private investments totaling \$2.6 billion, helped create companies and jobs, and produced scientific breakthroughs. Corporations benefit from university partnerships like the GRA.
- New Brunswick has had a number of developments in health care technology. For example, in the province, technology and the bio-science sector are being developed, companies are helping doctors to manage patient records, researchers are looking for ways to diagnose patients more quickly, and there are opportunities to support researchers through marketing or capital investment.
- According to the province of Nova Scotia, there is cooperation among Canada's provinces and many opportunities for partnerships. A Halifax shipyard (Irving) was recently awarded a \$25 billion ship-building contract to construct new combat vessels for the Royal Canadian Navy, which will support growth in the Nova Scotian

and Canadian economies, as well as for shipyards in other provinces that can sub-contract work. As well, the province has been successfully investing in off-shore drilling. Shell Canada has won a bid to explore Nova Scotia's off-shore oil and gas deposits on the southwestern shore, and has invested almost \$1 billion. Interest is growing in the off-shore natural resources.

- The state of Mississippi believes that it is important to bring businesses together and to keep promoting new relationships. The state's Health Care Industry Zone Act, which was recently passed by the Mississippi legislature, provides substantial tax incentives to encourage health-related industries, such as pharmaceutical research and development, biotechnology and diagnostic imaging, to invest in Mississippi with the goal of increasing the state's attractiveness to those developing and investing in a "necessary" industry, such as health care. Health care will become increasingly important as the population ages. As well, the state thinks that it is important to ensure that students do not drop out of school. In 2006, the Mississippi legislature established an Office of Drop-out Prevention within the Department of Education, which cooperates with public school districts, communities and organizations to develop programs designed to increase the graduation rate to 85% by the 2018-2019 school year and coordinates with the Office of Compulsory School Attendance, School Counseling, and Alternative Education.
- In North Carolina, an innovation council was created, and through this council businesses can receive grants that help them obtain patents and licenses. As well, it should be noted that aerospace is a big expense in the state due to the funds it provides to match the federal funds provided to the industry, and that North Carolinians were pioneers in biosciences. Moreover, with North Carolina currently ranked 17th nationwide in science and math, the state believes that education is an important aspect of business and entrepreneurial success.

Governors and premiers concluded that it is best to allow businesses to operate without "outside interference" and – ideally – to locate where there are human resources with high-technology skills. Regarding the shared border, they believed that border security remains critical but that businesses should not be impeded by barriers. In their view, the shared border must be open so that business survives, but that objective must be balanced with the need for security.

THE FUTURE OF MANUFACTURING

Michelin's Geoffrey Aucoi, Boeing's Marco Cavazzoni and BuildIT's Inta Zvagulis spoke about the future of manufacturing. In their view, for today's businesses, policies that support the growth of domestic suppliers is needed, and contracts of 500 pages in length are not useful in today's business environment. Particular comments were made by them about workforce issues, advanced manufacturing and the global economy.

Regarding the workforce, it was noted that manufacturing is not relative anymore, and that no one knows what is being made domestically. Moreover, there are difficulties encountered in replacing employees who are retiring, and 1.5 million more engineers are needed. As well, investments are needed in highly skilled labour. The workforce needs to keep pace with technology, and the competency of young people in terms of mathematics and science must be assured. Since it is not considered to be “cool” to be employed in the manufacturing sector and with decision makers and policy makers asserting that they want to help the sector, there is a need to hire those who have the proper attitude and for the state to establish training programs; in the absence of a solution to the challenges in the manufacturing sector, the result will be a lost century. The problem is manageable; what is needed is a way to connect with youth and to encourage them to enter the manufacturing sector.

Regarding the advanced manufacturing and public sector investments in advancement and innovation, it was recommended that research be transformed into tangible work with long-term sustainability. It should be remembered that the threat of competition always exists, since someone somewhere will be able to make the same thing but less expensively. Canada as a nation and Quebec as a province are models of success, since they make significant investments in scientific research and they create pools of qualified workers.

Finally, regarding the rest of the world and the global economy, it should be recognized that the world thinks in terms of “North America” as an economic zone rather than as three individual countries. From that perspective, the governments of Canada, the United States and Mexico need to ensure a strong fiscal position and sound infrastructure, such as ports. That said, the United States’ economic security is threatened by that country’s debt crisis.

EXECUTIVE DISCUSSION ON INNOVATION, SUSTAINABILITY AND PROSPERITY

KEYNOTE PRESENTATION

BEYOND THE BORDER: ENSURING EFFICIENT CAN-AM TRADE IN A TIGHTENED SECURITY ENVIRONMENT

Speakers:

Purolator International’s John Costanzo, Consolidated Cargo Carriers’ Mike Fisher and Livingston International Inc.’s Robert Perkins discussed efficient cross-border trade between Canada and the United States in a tightened security environment. According to them, companies continue to seek a global edge, and logistics and supply chain management continue to play a growing role in competitiveness. Companies are constantly facing changes due to increased regulation as well as changing fuel prices

and customer demands. Additionally, there are always logistical and customs issues related to cross-border trade between the United States and Canada.

LUNCHEON DISCUSSION

Canada's ambassador to the United States, Ambassador Gary Doer, spoke about security, energy and Canada's federal budget. Regarding security, the perimeter security and economic competitiveness agreement is an ongoing concern, but the United States and Canada are standing beside each other and are shoulder to shoulder. As an example of our cooperation on security, in 2011, Canadian Lieutenant-General Charles Bouchard was the commander of the North Atlantic Treaty Organization military operations in Libya. Trade in goods and services between Canada and the United States is critical to the economies of both nations, and concerns about shared border security are slowing down border crossings and impeding the free flow of goods between countries.

Regarding energy, Canada and the United States continue to a strategy and vision that would lead to North American energy independence; the goal is to end dependence on the Middle East. Affordable energy options, such as shale gas and oil, can be used and it should be recognized that there is more than a century of available energy within our borders. . Canada has the second-largest reserves of oil in the world, and the Keystone XL pipeline must be built.

Finally, the Canadian federal government's deficit was 1.5% of the nation's gross domestic product in 2011. The European debt crisis affects North America, and – in order to speak about the economy with any credibility – the United States must use its capacity and its creativity to reduce its federal debt. The views in the U.S. south about free trade are a model for a stable trading relationship.

Respectfully submitted,

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

Gord Brown, M.P.,
Co-Chair
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Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	5th Annual Conference of the Southeastern United States-Canadian Provinces (SEUS-CP) Alliance
DESTINATION	Myrtle Beach, South Carolina, United States of America
DATES	May 20-22, 2012
DELEGATION	
SENATE	
HOUSE OF COMMONS	Rick Dykstra, M.P.
STAFF	
TRANSPORTATION	\$2,340.63
ACCOMMODATION	\$394.35
HOSPITALITY	\$Ø
PER DIEMS	\$241.24
OFFICIAL GIFTS	\$Ø
MISCELLANEOUS/REGISTRATION FEES	\$1,675.95
TOTAL	\$4,652.17