

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 78th Annual Meeting of
the Southern Governors' Association**

Canada-United States Inter-Parliamentary Group

**Rio Grande, Puerto Rico
August 10-12, 2012**

Report

DELEGATION MEMBERS AND STAFF

From August 10-12, 2012, members of the Canadian Section of the Canada-United States Inter-Parliamentary Group (IPG) attended the annual meeting of the Southern Governors' Association (SGA) in Rio Grande, Puerto Rico. The Canadian Section was represented by Senators Percy Downe and Jean-Guy Dagenais. The delegation was accompanied by Ms. June Dewetering, the Canadian Section's Senior Advisor.

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 the Governors of the 16 U.S. southern states as well as the U.S. Virgin Islands and Puerto Rico (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 U.S. South, and secure an economically vibrant and prosperous American South.

Each year, the SGA holds an annual meeting. The 2012 annual meeting was focused on the theme of "Growth Beyond Our Borders – Jobs, Investment and Trade in the American South."

DELEGATION OBJECTIVES FOR THE EVENT

Canada and the 16 SGA states have a relationship that is mutually beneficial. According to recent figures, more than 3 million jobs in those states rely on trade with Canada, which was valued at just under US\$106 billion in one year: almost US\$55 billion was exported from the 16 states to Canada, while they imported just over \$51 billion from Canada. Residents of Canada and these 16 states are also frequent visitors. In a recent 12-month period, Canadians made more than 6.7 million visits to the 16 SGA states and spent more than US\$4.9 billion, while residents of those states made more than 1.9 million visits to Canada and spent almost \$1.4 billion. In terms of the Canada-Puerto Rico relationship, bilateral trade was recently valued at more than \$2.2 billion in a 12-month period, with Puerto Rico exporting \$1.7 billion to Canada and the country importing \$549 million from Canada.

The Canada-United States IPG 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, members of the Canadian Section of the IPG attend national and regional meetings of governors. 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.

ACTIVITIES DURING THE EVENT

During the 2012 annual meeting, the SGA held the following plenary sessions and roundtable discussions:

- Strengthening the Region's Ties to Latin America – A Market Overview
- Strengthening the Region's Ties to Latin America – Sustaining a Logistical Advantage
- Meeting the Infrastructure Challenge through Innovative Financing
- Supporting the Reshoring of Advanced Manufacturing
- Politics Over Breakfast
- Energy in the American South – Trends, Predictions and Policy Considerations.

This report summarizes the presentations that were made and discussions that occurred at the 2012 annual meeting.

SUMMARY OF PRESENTATIONS

STRENGTHENING THE REGION'S TIES TO LATIN AMERICA – SUSTAINING A LOGISTICAL ADVANTAGE

Alberto Alemán Zubieta, *Panama Canal Authority*

- Expansion of the Panama Canal, which will benefit almost all U.S. states, will have direct and ripple effects, and there will be more countries to which the region will export and from which it will receive imports.
- The locks on the Atlantic and Pacific sides are the most complicated part of the Panama Canal project.
- The Panama Canal is the most central port in the entire world, with easy access to both the Atlantic and Pacific oceans.

Myron Gray, *UPS*

- Trade plays an important role in economic growth and job creation.
- A pro-growth environment for businesses is important.
- Growth-oriented businesses need access to customers around the world.
- Approximately 1% of U.S. businesses export, and most that do so export to a single country; there is a need to increase the number of U.S. companies that export.

- Businesses that export grow more quickly and are more resilient.
- For the U.S. South, Canada and Latin America are great markets; there is no need to focus either mostly or exclusively on Asia.
- The United States' free trade agreements with Panama and Colombia hold particular promise for the U.S. South because of geography.
- Governmental economic development agencies should be encouraged to work with businesses.
- Investments in public policy initiatives that promote growth, such as in transportation infrastructure and education, should occur.
- Transportation congestion is both an economic development issue and a quality-of-life issue.
- Businesses need the right workers with the right skills in the right quantities.
- States should ensure that they are attractive to businesses that export.

Jerry Bridges, *American Association of Port Authorities*

- In order to sustain its growth, the U.S. South must modernize its transportation infrastructure, including rail, ports, roads and airports.
- States can provide infrastructure funds for port construction and enhancements, including intermodal connections.
- Port modernization and maintenance are needed in order to support the U.S. South, including to meet trade goals.
- The U.S. South needs to act and “speak” as a region.
- Notwithstanding the competitive world, all ports can work together.

MEETING THE INFRASTRUCTURE CHALLENGE THROUGH INNOVATIVE FINANCING

David Chavern, *U.S. Chamber of Commerce*

- States are the laboratories of reform, and can affect national debates on such issues as infrastructure.
- The “Let’s Rebuild America” initiative raised infrastructure to the Presidential level.
- Infrastructure affects business and gross domestic product (GDP) growth.
- Sustainable infrastructure funding is required, and infrastructure needs to be maintained, modernized and expanded.
- State and federal deficits, and federal debt, are challenges, and challenges need to be met with solutions.
- Robust private-sector investment is needed, and private-public partnerships (PPPs) can be used to meet many transportation needs.

- The U.S. Chamber of Commerce thinks that PPPs should be the norm, rather than the exception; that said, PPPs are not a silver bullet, and they will not work for everything everywhere.
- Some projects require pay-as-you-go funding.
- Inevitably, change is difficult.

Robbi Jones, *Kipling Jones & Co.*

- The U.S. Southeast is very pro-business.
- PPPs are becoming more attractive to businesses, foundations and endowment funds; PPP collaborations are also occurring with pension funds, some of which are participating in infrastructure projects in their state, as well as in other states.
- Some states have legislation that makes it easier for the private sector to invest in the public sector.
- The public sector should fully grasp the goals of its private-sector partner; it is easier to negotiate if the goals of the entity with which negotiations are occurring are known.
- The private sector should:
 - ensure that the public entity understands the risk that it will face
 - ensure that it and the public entity have a shared goal
 - understand the “players”
 - understand the risks
 - have clear and consistent leadership
 - ensure adequate communication.
- There are risks with PPPs, including an uneven transfer of risk and an inadequate transfer of information about that risk.

David Álvarez-Castañeda, *Puerto Rico Public-Private Partnerships Authority*

- In 2009, Puerto Rico developed a framework regarding PPPs, and this framework is specified in legislation; it includes the establishment of a PPP authority and a methodology for identifying projects.
- In Puerto Rico, PPP projects funded to date include schools, toll roads and airports.
- Governments require a “toolbox” in order to fund infrastructure, and PPPs are a tool.
- PPPs help to support a better future.

SUPPORTING THE RESHORING OF ADVANCED MANUFACTURING

Harold Sirkin, *Boston Consulting Group*

- The “death” of the American manufacturing sector has been greatly exaggerated; the United States is at the beginning of a new manufacturing renaissance.

- The U.S. economy is structured in a manner that permits it to respond quickly to challenges and threats, and the United States is structured to compete.
- Americans respond, adapt and thrive.
- The United States is among the most productive nations in the world; it is 33% more productive than Japan and 25% more productive than Germany.
- China does extremely well at economic development, in part because of low wages and its development of clusters that encompass the entire supply chain.
- China's productivity gains are being "swamped" by the increasing relative value of the yuan.
- U.S. businesses outsourced to China because of relatively lower costs, especially for labour; however, costs are rising in China, and a number of North American businesses are reconsidering their production locations.
- Some European countries are using the United States as a re-export hub; North America is a source of supply for many parts of the world.
- "Apparel, footwear and accessories" is the only category in which the United States does not produce 40% of what it consumes.
- Americans need jobs now, so actions are needed now in a variety of areas, including:
 - adjustments to tax policies to favour insourcing
 - a levelling of the playing field with China, which should be treated as a developed nation in areas that include currency management, intellectual property protection and the enforcement of trade agreements
 - a focus on building and keeping the world's best "talent base"
 - reconsideration of government regulations, recognizing that – while protections for labour and the environment are needed – regulations can impair competitiveness
 - the creation of industry clusters
 - a focus on foreign manufacturers that want to do business in the United States
 - a creation, by governments, of opportunities for American businesses worldwide, including in China
- Companies should "do the math" and see what "works" for them in the near, medium and long term; China should not be "the default."

POLITICS OVER BREAKFAST

Juan Williams, *Fox News*

- Over the last decade, more than half of the population growth in the United States has occurred in the U.S. South; it is estimated that, in the next 30 years, 40% of U.S. population growth will occur in the South.

- Prior to his election as President, President Obama was the most liberal Senator in the U.S. Senate.
- There are tremendous political and economic changes under way in the United States.
- The biggest change affecting all other changes is demographic change.
- Demographic change is concentrated in the U.S. South but the trends are reflected nationally.
- Regarding the current U.S. population:
 - the rate of U.S. population growth is astounding
 - the racial composition of the U.S. population is changing
 - the birth rate of immigrants is high
 - 25% of the American population are now under the age of 18 years
 - 25% of all children in kindergarten are Hispanic
 - more than 50% of the American labour force are female
 - more than 40% of American executives are female
 - the majority of people in college are female
 - the number of females with college degrees has doubled since the 1980s
 - lots of children reside in female-headed households, and these households are often single-parent households
 - one end of the “barbell” is youth and the other end is aging baby boomers.
- Regarding the U.S. population in 2025:
 - 25% of the population will be 65 years of age or older
 - 50% of the population will be under the age of 35
 - the population will be overwhelmingly white.
- Seniors love to travel, employ investment counsellors, are “news junkies,” generally vote and love continuing education; they are concerned about the price of pharmaceutical drugs, the viability of Social Security and access to first-rate medical facilities.
- In general, seniors are relatively more likely to be Republicans and youth are relatively more likely to be Democrats.
- Demographic change has affected American politics, including the priorities that are pursued.

Juan Williams posed questions to the Governors, who provided responses.

Question: What comments are relevant regarding growth in the Hispanic population?

Response by Governor Perdue: Women still face a “glass ceiling,” many children in school do not speak English and funds are not available for English-as-a-Second-Language training, and many immigrants to North Carolina come from the Middle East and Asia and have good skills.

Response by Governor Haslam: Tennessee has challenges in terms of English-as-a-Second-Language training, and there is a need to do better regarding kindergarten to grade 12 education.

Question: Is it true that Kentucky is in the midst of transformation?

Response from Governor Beshear: At present, Kentucky is focused on immigration and economic development, with Toyota leading an influx of Japanese-owned companies and Japanese immigrants, among other developments. Kentucky is a diverse state and welcomes diversity.

Question: Does diversity create political and social tensions?

Response from Governor Beshear: Diversity creates political and social tensions; that said, the recession resulted in a focus not on race or language, but rather on finding a job.

Question: What changes are under way in Puerto Rico?

Response from Governor Fortuño: Women are increasingly well-educated and many are heading households, seniors are increasingly active in their communities and as voters, and it continues to be difficult to entice youth to participate in the political process.

Question: With much growth occurring in the U.S. South and the South being the focus of much anti-immigrant legislation, how is the situation “playing out”?

Response from Governor Haslam: Politicians are playing to their base and are not taking actions to push immigrants away.

Response from Governor Beshear: Everyone wants an immigration system that “works,” and illegal immigration is a national problem that requires a national solution. Of the millions of immigrants in the United States, some are in the country legally while others are illegal immigrants. Many in Kentucky are focused on making people and businesses feel welcome, regardless of religion or ethnicity.

Response from Governor Perdue: More than 330 languages are spoken in Charlotte, North Carolina. The state does not see deep-seated discrimination or hostility toward immigrants, and North Carolina is trying to be more – rather than less – inviting.

Response from Governor Fortuño: Public safety is important, and protecting the United States’ border is a major issue; protection of the border increased as a priority after the September 2001 terrorist attacks.

Question: What actions are being taken by Governors to generate economic activity?

Response from Governor Perdue: States, and their Governors, compete with each other for companies and thereby jobs, which are always the first priority. North Carolina has a great deal of innovation and technology. Education is key, and chief executive officers are looking at the long-term quality of a state's workforce; employers need a constant flow of properly training employees.

Response from Governor Haslam: Over the last 5 years, Tennessee has focused on the kindergarten-grade 12 education system; it is now working on alignment of post-secondary education with the needs of employers to ensure the right quantity and quality of workers.

Response from Governor Beshear: All states compete for companies and jobs. The biggest question for employers is not tax incentives or labour laws, but rather the quality of the workforce.

Question: What comments are relevant regarding the selection of Representative Paul Ryan as the Republican vice presidential nominee?

Response from Governor Perdue: The selection of Representative Paul Ryan as the Republican vice presidential nominee is a bold move. While the Presidential race is expected to be close, President Obama is likely to be re-elected. North Carolina is a "battleground" state. The United States is experiencing serious economic and social problems, and there is a need to get beyond the rhetoric; Congress needs to focus on solutions that will help the states.

Response from Governor Haslam: The selection of Representative Paul Ryan as the Republican vice presidential nominee is likely to change the dialogue; the focus may shift to "big issues," such as the U.S. deficit and debt, rather than Republican presidential nominee Mitt Romney's tax returns. While it is expected to be a close contest, Republican presidential nominee Mitt Romney is likely to win the presidency; the Senate and the House of Representatives are likely to continue to be held by the Democrats and the Republicans respectively.

Response from Governor Beshear: The selection of Representative Paul Ryan as the Republican vice presidential nominee is interesting, although it is not clear what "audience" Republican presidential nominee Mitt Romney gained with this selection; the Senate and the House of Representatives are likely to continue to be held by the same parties as currently. Kentucky is likely to support Republican presidential nominee Mitt Romney, although President Obama is likely to be re-elected in a close race. Kentuckians are "disgusted with it all," and want common-sense solutions and

compromise. The United States would have recovered from the recession more quickly if Congress could have worked with President Obama. The biggest constraint facing the United States at this time is uncertainty. “Extreme” conversations are dangerous and unhealthy for a country.

Response from Governor Fortuño: The selection of Representative Paul Ryan as the Republican vice presidential nominee was a bold move; that said, everyone respects Representative Ryan. It would be helpful if the campaigns begin to focus on the “big issues.” The next 3 months will be key, and President Obama is facing some “tough headwinds.” There is some concern about what happens after election day. Unlike Washington, the nation’s Governors work together, as the Governors are “where the rubber meets the road.”

Question: Are “audiences” at the extremes “reliable”?

Response from Governor Beshear: The media need to understand that most people are not watching television or listening to the radio. Regardless of who wins the November 2012, an important consideration is whether the focus will almost immediately become the 2016 elections.

ENERGY IN THE AMERICAN SOUTH – TRENDS, PREDICTIONS AND POLICY CONSIDERATIONS

John Somerhalder II, *AGL Resources*

- With improved technology, there is currently a revolution in shale gas in the United States; technological innovations, including horizontal drilling and fracking, have “spilled over” to shale oil.
- By 2030, the United States could be energy independent because of the abundance of natural gas.
- Natural gas burns more cleanly than do other fossil fuels.
- With a new tank capacity, it is now possible to ship liquefied natural gas to new locations.

W. Paul Bowers, *Georgia Power*

- Energy customers are benefiting from all types of energy, and “all of the above” must be considered.
- The energy mix must include “all of the arrows in the quiver”; for the long term, there is a need to be able to have a mix and to rebalance as required.
- Developments occur on the basis of cost.
- Natural gas is displacing coal in some parts of the United States.

- Customers should be engaged in energy-efficiency efforts.
- While there is a place for all renewable energy sources in the energy mix, the “economics” have to work.

Tony Haymet, *University of California at San Diego*

- In recent years, the United States has restarted its nuclear program, which is positive; developments in relation to shale gas are also positive.
- Industry is “driven” by electricity, and baseload electricity is critically important.
- Algae can be used to make fuel, and they do so with incredible efficiency; algae double their mass in 24 hours.

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

U.S. 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

The U.S. Virgin Islands and Puerto Rico are also members of the Southern Governors' Association.

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	78th Annual Meeting of the Southern Governors' Association
DESTINATION	Rio Grande, Puerto Rico
DATES	August 10-12, 2012
DELEGATION	
SENATE	Hon. Percy Downe, Senator Hon. Jean-Guy Dagenais, Senator
HOUSE OF COMMONS	
STAFF	Ms. June Dewetering, Senior Advisor
TRANSPORTATION	\$5,244.79
ACCOMMODATION	\$1,763.94
HOSPITALITY	\$ Ø
PER DIEMS	\$537.27
OFFICIAL GIFTS	\$ Ø
MISCELLANEOUS/REGISTRATION FEES	\$2,310.29
TOTAL	\$9,856.29