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Inter-Parliamentary Group
Canadian Section



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Section canadienne

**Report of the Canadian Parliamentary Delegation
to the Southern Governors' Association:
73rd Annual Meeting Canada-United States Inter-
Parliamentary Group**

Biloxi, Mississippi, United States of America

August 25 – 27, 2007

Report

From 25-27 August 2007, the Canada-United States Inter-Parliamentary Group was represented at the 73rd Annual Meeting of the Southern Governors' Association in Biloxi, Mississippi. This report summarizes the major points made at the meeting.

REGIONAL ECONOMIC TRENDS

Dennis Lockhart, *Federal Reserve Bank of Atlanta*

- the South is playing a leadership role in the United States
- the economic diversity of the Southeastern United States provides a unique window on the U.S. as a whole; among the regions, the Southeastern economy most closely mirrors the nation as a whole
- following Hurricane Katrina, the South became a “cash world,” and the Federal Reserve Bank of Atlanta provided banking services
- while the South has had some production move off-shore, similar to what has occurred in other parts of the U.S., there has been some growth in higher-wage manufacturing; outsourcing, combined with job losses arising from technological change, have resulted in some job anxiety
- states compete in order to attract firms in such sectors as: biotechnology; medical research and development; accounting and management services; computer and network engineering; and high-end manufacturing
- the South should continue to focus on the development of knowledge workers
- workers with skills that can be transferred across industries are more personally resilient, which is important since employees increasingly have a number of jobs and/or careers over the course of their life
- businesses want employees who are able to learn new skills quickly, since required skills are changing constantly
- states should focus on programs that foster worker re-tooling
- as global competitive pressures mount, the focus on productivity must be enhanced

Richard Fisher, Federal Reserve Bank of Dallas

- the Federal Reserve system is non-partisan
- an enormous economic power is rising in Asia; that being said, the sixteen states in the Southern Governors' Association (SGA) have output that is 76% greater than that of China
- in order for the states in the SGA to continue to stay ahead, they must recognize the existence of the globalized economy characterized by knowledge technology; with each successive technological innovation, the world becomes more global
- the ability to harvest and harness globalization is possible because of cyberspace
- globalization can result in better jobs, lower prices and more choice
- as China becomes more prosperous, its residents can consume more; as people become more wealthy, they tend to shift their spending away from goods and towards services
- service jobs require different skills than manufacturing jobs
- for every manufacturing job lost in the U.S South between 1990 and 2005, the health sector created 2.5 jobs
- the human brain is critically important in the knowledge era; while an oil well may run dry, a human brain never will
- the development of human capacity through education – beginning in kindergarten and extending through post-secondary – should be the highest priority; “you earn what you learn”
- the human brain is the capital of the knowledge age, and education is the fuel

William Poole, Federal Reserve Bank of St. Louis

- the Federal Reserve system is well-designed to keep in touch with the states; the system has regional offices with a national purpose
- foreign economic growth is critically important in order to protect U.S. exports, and international trade is playing an increasing role in the U.S. economy
- the U.S. must continue to take advantage of rising purchasing power abroad, and should manufacture goods and provide services that these countries want; foreign income growth provides export opportunities, including for firms in the South
- the number of U.S. firms that are exporting goods is growing; these firms are typically larger, more productive and more creative; this relatively higher productivity is a requirement for – rather than a consequence of – being an exporter

- exports and imports are linked; actions that suppress U.S. imports have the effect of reducing U.S. export opportunities
- rising exports lead to rising labour demand which leads to rising wages, all other things remaining the same; as well labour and capital are reallocated from non-exporting to exporting firms
- in order to enhance productivity, trade should be liberalized; consequently, negotiations that reduce trade barriers should be viewed positively, while legislation that increases trade barriers should be viewed negatively
- countries with which the U.S. is negotiating trade agreements have a negative view of the President's lack of trade promotion authority
- the Doha Round appears to be on the point of collapse, which is undermining the World Trade Organization
- many in the U.S. seem to favour a confrontational approach with China, although it is not clear why anyone would want to antagonize a large and growing trading partner
- economic history suggests that trade retaliation is not a successful strategy
- the focus should be on creating better, rather than more, jobs

OBESITY AND WELLNESS

Honorable Mike Huckabee, Former Governor of Arkansas

- athletes are well-fed and well-exercised, while spectators are over-fed and under-exercised
- obesity is a health crisis that will lead to an economic crisis, in part because of soaring health care costs; the U.S. spends more on health care than does any other nation
- 80% of health care spending in the United States occurs in respect of chronic disease that is preventable or recoverable
- problematic behaviours include:
 - over-eating
 - under-exercising
 - smoking
- historically, the food choices made in the South reflected economic necessity; the goal was to add caloric content at low cost
- in the last fifteen years, there has been a seismic shift regarding diabetes; while, historically, Type II was referred to as "adult onset" and Type I was referred to as "juvenile," there are increasing instances of Type II diabetes occurring in children of age 7 or 8, with associated sight, heart and renal problems

- a child born in the U.S. today is the first generation that is unlikely to live as long as his/her parents or grandparents
- while the focus on the war on terror is understandable, an important question is: who will fight the war in the future?
- while some focus on “absenteeism,” others focus on “presenteeism;” it has been estimated that 60% of the U.S. workforce is not capable of giving 100% at work on any given day
- the focus should be prevention, rather than treatment
- in 1962 the weight of the average American was 141 pounds, a figure that had risen to 184 pounds by 2005; this increase has a variety of implications, including for elevator and boat load limits, egress from buildings, etc.

Susan Cooper, Tennessee Department of Health

- health insurance does not necessarily lead to better health
- investments should be made in health, rather than in health care
- obesity is a known precursor to diabetes
- incentives, such as discounts on health premiums, should be considered
- diabetes and obesity have the same modifiable risk factors: nutrition and exercise
- measures should be focussed on where people live, work, study and play
- achievable goals with small, incremental increases should be considered
- since behaviours are established by age 12, interventions should start early

Marshall Bouldin, University of Mississippi Medical Center

- the only real solution to the obesity crisis involves changing all of us, although changes to the health care system should also be made
- the current health care system cannot handle the volume of cases of diabetes that is emerging; the system of care must be changed
- too great a proportion of health care spending in the U.S. is devoted to disease
- cultural changes must be made by each person
- the focus should be preventing obesity as a tool in preventing diabetes
- patients should be empowered

William Rowley, Institute for Alternative Futures

- “garbage in ... and it stays there,” giving rise to the term “waist/waste management”
- there have been dramatic increases in the prevalence of obesity and diabetes, and some are using the term “epidemic” to describe the current situation
- there are no magic diets or pills; instead, behaviours and culture must be changed dramatically
- behavioural change is difficult; consider, for example, that many military personnel are obese, despite sanctions, a culture of fitness, etc.
- parents should be informed about what constitutes a “healthy meal;” moreover, children should have daily physical education in school as well as a safe walk to school and safe places in which to play
- one of the biggest challenges is that the food industry produces twice as many calories as are needed each day, and “portion size creep” has occurred; work with the food industry needs to occur in order to change food culture

John Miall, City of Asheville, North Carolina

- there has been some form of health insurance in the United States for more than 80 years
- two things drive the cost of claims:
 - the frequency of claims
 - the severity of outcomes
- the insurance industry is focused on statistical probabilities
- those with diabetes experience a greater risk of renal disease, sight problems, amputations, cardiovascular disease and stroke
- the average U.S. worker takes 8.3 sick days each year if he/she is diabetic and 1.7 days per year if he/she is not diabetic
- since doctors only make money if people are sick, incentives must be realigned; doctors should be paid for wellness, rather than for sickness

STABILIZING INSURANCE MARKETS

Brian MacLean, Travelers

- key insurance challenges include:
 - consumers – the availability and affordability of insurance
 - policy makers – there has been rapid development along the coast
 - insurance carriers – carriers want to earn a reasonable rate of return over time, which requires a stable regulatory environment

- more people are living along the coast and, with climate change, there are likely to be more frequent and more severe weather occurrences
- ideally, risk should be spread among as many people as possible who are subject to the same risk
- catastrophic events are unpredictable
- mechanisms to adjust premium rates in order to ensure that they are fair and sound are needed
- while rates should be based on risk, it should be recognized that these rates may be unaffordable for some coastal residents; consequently, cross-subsidization may be required from those who can afford it to those who cannot
- state involvement may include:
 - oversight
 - enforcement
 - licensing

William Berkley, W.R. Berkley Corporation

- often, the tendency is to rush to a conclusion before thinking about all of the consequences of a particular decision
- the property and casualty insurance sector, which is highly competitive, responds to small accidents and large natural disasters
- the number of dissatisfied claimants is small in relation to the number of claims processed; in most cases, the sector does an outstanding job and pays claims quickly
- the insurance sector has the lowest return on equity among sectors in the financial services industry, and the profitability of the sector in the current year may or may not be a good predictor of profitability in the next year
- federal assistance is uncertain in its timing and its amount
- subsidies should be directed to those with affordability issues, rather than more broadly
- a number of measures and actions are needed, including:
 - strict building codes and adequate building inspections
 - zoning laws that prohibit certain types of buildings in certain areas
 - insurance at rational rates
 - a federal reinsurance plan
 - a refundable tax on underwriting

Alex Soto, Independent Insurance Agents and Brokers of America

- in the future, more storms and stronger storms are expected; as well, the population is moving closer to the coast
- the insurance industry is not monolithic; nor is it monopolistic
- new insurance carriers should be enticed to enter the market
- actions are need in such areas as:
 - land management, including restrictions on who can build what and where
 - construction codes
 - research in respect of improved building strength
 - tax credits and rate reductions for consumers who invest in making their homes stronger

Paula Rosput Reynolds, Safeco Corporation

- market concentration affects the availability of insurance
- channelling risk and pricing it appropriately will increase capacity

THE FUTURE OF ENERGY PRODUCTION IN THE SOUTH AND MEETING THE WORKFORCE DEMAND

John Hofmeister, Shell Oil Company

- the future presents opportunities as well as challenges
- the United States has the largest and most successful economy largely because of the energy infrastructure that enabled growth and prosperity; the correct policy decisions today will mean that the next fifty years can be equally prosperous
- while federal programs can assist in workforce enablement and development, it is at the state and local levels where workforce development really occurs
- three considerations for the future are:
 - collaboration – governments, the education sector and industry should work together
 - career model – a skilled trades career model, as well as a professional career model, should exist
 - programs – successful programs should be funded

Andy Depuy, The Shaw Group, Inc.

- a global nuclear renaissance is under way
- there have been “dramatic” wage increases on the coast since Hurricane Katrina
- industry should partner with schools in order to recruit students into trades

- managers who can communicate with non-english-speaking employees are needed
- there is a shortage of college students in engineering and construction, and technical programs in high schools are declining

David Ratcliffe, Southern Company

- workforce development, as well as reliable and affordable energy, are important aspects of economic development; a great deal of skilled labour will be needed
- biomass capabilities exist
- there is a need to be more efficient in using energy
- renewable portfolio standards should be set at the state, rather than the federal level

Roland Toups, Turner Industries, LLC

- there is a skilled labour shortage that is approaching crisis proportions
- industries are competing with each other for labour
- organizations are addressing their labour shortages through such means as:
 - compensation increases
 - recruitment from other countries
 - efforts to retain existing workers
 - efforts to induce those of retirement age to continue to work
- foreign skilled labour is becoming less plentiful
- some skilled trades have a negative image
- with skilled labour, engineering and equipment shortages, project schedules experience delays, which means that work is more costly to complete domestically and may be shifted overseas; greed, criminal activity, payoffs and kickbacks may also occur

Honorable Emily Stover DeRocco, U.S. Department of Labor

- an educated, prepared workforce is needed in order that businesses can compete in the global marketplace
- the ageing of the workforce is having substantial consequences, and recruitment and retention challenges exist
- the efforts of industry, governments and educators at all levels must be leveraged
- federal programs give states a great deal of flexibility to meet local and regional needs

- for the U.S.'s energy future and, thus, the nation's economic future, the energy industry must have its workforce needs met
- returning military personnel should be seen as a source of dependable labour

Honorable Jeffrey Clay Sell, U.S. Department of Energy

- the United States is facing a new energy reality
- high prices are driven by demand exceeding supply, mostly as a result of demand from China and India but also resulting from robust economic growth in the U.S.
- energy infrastructure is vulnerable to terrorism
- the trend toward “energy nationalism” affects U.S. energy security and U.S. national security
- future needs include:
 - a greater supply of energy from a greater diversity of sources
 - more energy options through technology
 - more energy efficiency
 - a low-/no-carbon focus
 - more energy infrastructure
 - greater protection of energy infrastructure
 - the proper workforce in order to meet the needs of the new energy reality

Respectfully submitted,

Hon. Jerahmiel Grafstein, Senator
Co-Chair, Canada-United States
Inter-Parliamentary Group

Rob Merrifield, M.P.,
Co-Chair, Canada-United States
Inter-Parliamentary Group

Travel Costs

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| ASSOCIATION | Canada-United States Inter-Parliamentary Group |
| ACTIVITY | Southern Governors' Association: 73rd Annual Meeting |
| DESTINATION | Biloxi, Mississippi United States of America |
| DATES | August 25–27, 2007 |
| DELEGATION | |
| SENATE | Ø |
| HOUSE OF COMMONS | France Bonsant, M.P. |
| STAFF | Philippe Méla Acting Executive Secretary June Dewetering Analyst |
| TRANSPORTATION | \$16,570.26 |
| ACCOMMODATION | \$1,957.08 |
| HOSPITALITY | \$ Ø |
| PER DIEMS | \$1,908.24 |
| OFFICIAL GIFTS | \$ Ø |
| MISCELLANEOUS/REGISTRATION FEES | \$2,074.31 |
| TOTAL | \$22,509.89 |