

2009 PRE-BUDGET SUBMISSION

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The Manitoba Chambers of Commerce

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EXECUTIVE SUMMARY OF RECOMMENDATIONS

Our recommendations highlight the remaining key aspects of the Great Jobs Agenda (see Appendix 1 for the complete framework of the Great Jobs Agenda):

1) Mindset (attitude is key)

We have called for a ‘creative capital mindset’ – one that judges all economic policies against the basic standard of whether they are empowering each individual to obtain employment that fully taps into their creative potential (i.e. jobs that are well-paying, meaningful and tap into their talents).

There has been great progress in many of the key areas of the Great Jobs Agenda (e.g. Nurture Skills/Recognize Skills and Identify and Remove Roadblocks for Those on Low-income). The challenge now is to make sure all stakeholders are involved in the implementation and evaluation of these initiatives.

Further, they must be candidly assessed against the requirements of the Great Jobs Agenda – namely are they leading to creative (engaging and well-paying) jobs in Manitoba?

2) An Environment Where Business Can Thrive

If the goal of the Great Jobs Agenda is to provide people with jobs that are well-paying, meaningful and tap into their talents, then we need an environment that enables businesses to create/maintain those jobs.

To this end, a long-term tax vision is needed:

Step 1:

- In addition to your current plans for tax relief, commit to focused relief for low income Manitobans and make it a priority to eliminate all capital taxes, all sales tax on capital and all profit insensitive taxes.
- While the ‘price tag’ is admittedly fairly heavy, quite simply the payroll tax needs to go. It is profoundly wrong-headed to tax a business for increasing staff and/or their wages. At the very least, you must declare your intent to eliminate this tax and develop a multi-year strategy to do so.
- The specific path of implementation will of course depend on the availability of revenue, what we are simply seeking at this point is a commitment that new tax relief will focus on these items over the near and medium-term.

Step 2: For the long-term you need to look at the elimination of these taxes, then moving on to further corporate and income tax relief. Unfortunately, fiscal restraint and new revenues may not be enough to fund this relief. Of course, deficits would not be a prudent response. Accordingly, you should immediately commit to developing a strategy that will consider how to move our province more from a regime that taxes investment/income to one that taxes consumption. This ‘big picture’ thinking should include an analysis of the following:

- the economic effect of eliminating the corporate tax, “This is an unconventional solution and further research is required to assess the long-term impact on tax revenue, patriation of earnings by foreign companies and other issues.”¹;
- converting the PST into a broad-based value added tax covering goods and services²;
- basing personal taxation on lifetime earnings.³; and
- a consideration of how other jurisdictions tax; what insights may be gained therein; and how, if at all, this could be applied to Manitoba. For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.⁴

Our specific recommendation in relation to the payroll tax is as follows:

Resolution: That the Government of Manitoba commit to a series of annual reductions in the payroll tax, through a variety of increases in the exemption level and decreases to the rates, with the ultimate goal of eliminating this tax by 2013.

3) All Together (Government, Labour, Community Groups and Business Must Work Together)

The most important aspect of the Great Jobs Agenda is that government, business and labour agree to work on it together.

To a significant degree an element of cooperation already exists in Manitoba. To build on this momentum the government should create a Forum on the Great Jobs Agenda;

- The Forum should have two responsibilities: ongoing and timely reporting on, and measurement of, the Great Jobs Agenda; and an assessment of the combined effects of provincial initiatives that influence the Great Jobs Agenda. The Forum should report annually to

¹ “Rebalancing priorities for prosperity”, Fourth Annual Report, November 2005, p. 45.

² Ibid., p. 45.

³ Ibid., p. 46

⁴ Ibid., p. 44.

the Manitoba Legislature and the public on its findings in each of its areas of responsibility;

- The Forum should be established for an initial four-year period. The Forum's mandate should be renewed if a public review concludes that it has been effective in fulfilling its responsibilities;
- The Forum should consider productivity issues, but that analysis will need to occur within the context of the Great Jobs Agenda;
- As part of its reporting the Forum should perform an ongoing and detailed analysis of Manitoba's economy. To lead to truly informed policy decisions this analysis must look at each sector, not just the economy as a whole. This analysis should reveal:
 - The need for specialized training and research institutions on a sector-by-sector basis;
 - Specialized infrastructure needs on a sector-by-sector basis;
 - The need for special regulatory regimes on a sector-by-sector basis; and
 - Any other special needs identified on a on a sector-by-sector basis.
- The Forum should have a website, with regular updates that are both posted and emailed to subscribers. The website and activities of the Council of the Federation are good examples of the type of collaboration and reporting that is envisioned.⁵ The Task Force on Competitiveness, Productivity and Economic Progress is another good example.⁶
- Ideally the Premier's Economic Advisory Council should be tasked with the role of the Forum, however, if PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so.

4) Spending:

We endorse your commitment to draw on the fiscal stabilization fund rather than incurring a deficit.

There will be a challenge insofar as the new Balanced Budget legislation has a definition of 'deficit' that may surprise many within the public. When we are talking about a 'deficit' we are talking about a positive balance in core government spending (as defined by the old Balanced Budget legislation) based on a single year as opposed to a four year average.

As well, these challenging times add increased importance to spending wisely, a goal that falls within your commitment to insure that Manitobans have a government that is

⁵ See <http://www.councilofthefederation.ca/>.

⁶ www.competeprosper.ca.

affordable. To this end we repeat the recommendations of one of the Manitoba Chambers' current Resolutions:

Resolution: That the Government of Manitoba:

- a) create a culture in the public sector that inspires and rewards employees for finding efficiencies;
- b) review all programs every year to determine where the payoffs are the greatest and identify areas where spending can be reduced or eliminated;
- c) further to the efforts described in b), establish a Commission on Efficiencies that engages the public in an effort to determine if the services provided by the Province are being done in a cost-effective and efficient manner; and
- d) consider the use of 'sunset clauses' in all new program spending.

5) Connectivity:

Connectivity is not specifically part of the Great Jobs Agenda. However, it is an important issue for a creative economy and we do have two Resolutions that are relevant:

Manitoba - Canada's Gateway To Global Trade

Resolution: That the government of Manitoba embrace fully the principles of the Mayor's Trade Council Report and the Manitoba International Gateway Strategy (MIGS) and immediately enlist public and private sector leaders to accomplish development of a Strategy to position Manitoba to become Canada's Gateway to Global Trade.

A Wireless Portal Plan For Rural Manitoba

Resolution: That the Government of Manitoba act on the acknowledged need to initiate a feasibility study/business plan development for the establishment of a wireless portal for Rural Manitoba with the goal to develop a comprehensive study for the following:

- a) Needs assessment: consult with community leaders, government organizations, economic development organizations and other interested parties
- b) Opportunity evaluation: identify the most likely areas of gain for the development and sustainability of the portal
- c) Identification of implementation alternatives: consider the costs of practical implementation and the best ways to take advantage of existing infrastructure and expertise

- d) Development of options: develop alternative practical plans for implementation
- e) Identification of benefits: identify benefits that flow to partners, stakeholders and users
- f) Assessment of current capacity: examine current internet infrastructure in target communities, and current capacity of communities to implement and access a wireless portal
- g) Literature review: identify information resources of potential value to the establishment and sustainability of a wireless portal and build a database of such information resources
- h) Analysis of findings: considering the above areas for study, advise as to the potential to develop and sustain a wireless portal.

While we applaud the government for the progress it has made in relation to both of these issues, work remains to be done.

I) INTRODUCTION:

“The great promise of our time is that, for the first time in human history, the logic of economic development and prosperity requires that we harness and develop our full human potential. Economic development requires higher levels of human performance.”⁷

We are honoured to present this, our tenth Pre-Budget submission to you.

This is the fourth year we are championing our Great Jobs Agenda, the economic arm of our ‘Have’ Province initiative, although many of the ideas embraced by the Agenda trace back to much earlier submissions:

- we began targeting the need for engaging, well-paying jobs (the heart of a creative economy) in our 2005 submission;
- we began targeting the need for benchmarks for Manitoba in our 2005 submission;
- we began calling for an all-inclusive partnership - one that reached across government, post-secondary institutions, labour and business - to develop strategies in our 2001 submission;
- we began calling for a more public role for the Premier's Economic Advisory Council in our 2001 submission;
- we began calling for a long-term tax vision in our 2001 submission; and
- we first cited the work of the Ontario’s Task Force on Competitiveness, Productivity and Economic Progress as both a good model and source of insight in our 2004 submission. As you will see, the modern incarnation of the Task Force, the Martin Prosperity Institute, figures prominently in our 2009 submission.

II) LOOKING BACK, PART 1: THE MCC

A key feature of both the ‘Have’ Province Initiative and the Great Jobs Agenda is they do not leave everything on the doorstep of government, they call on Manitobans to play a key role in helping this province reach its incredible potential.

For example, part of the Great Jobs Agenda calls upon the citizenry of Manitoba, in particular its associations, to celebrate success - including the successes of our government.

⁷ “Ontario in the Creative Age”, Martin Prosperity Institute, February 2009, p. 31, <http://martinprosperity.org/media/pdfs/MPI%20Ontario%20Report%202009%20v3.pdf>

The Manitoba Chambers has continued to celebrate the success of our entrepreneurs by telling their stories in ways that empower and inspire:

- **The Leaders Luncheon:** a new series featuring successful senior Manitoba business leaders sharing their experiences and lessons learned.
- **The MCC Focus Magazine:** this magazine goes out to 10,000 business and community leaders across Manitoba. As such, it is the most widely circulated business magazine in the province. The Focus continues to celebrate Manitoba's businesses with its 'Ahead of the Curve' feature. To that we have added:
 - Manitoba Matters: a bulletin board of news and milestones relating to our business community;
 - Postcards from the Business Edge: a half-page feature on a small to medium-sized business;
 - Diary of an Entrepreneur Column: in this, our newest feature, different Manitoba entrepreneurs contribute a column outlining some of the joys, successes, struggles, issues and activities they experience over a one to three month period. The column is in a diary-like format, and provides a candid, inspiring, informative look at what it is like to be an entrepreneur 'in the trenches'.
- **The MCC Business Awards:** we continue to celebrate some of the best and brightest of our business community with our annual awards gala. We are currently looking at new ways to expand the scope and impact of this marquee event.
- **Manitoba's Cül Companies:** this may well be the most ambitious and exciting of our many initiatives dedicated to celebrating Manitoba's successes.

The Manitoba Chambers is utilizing its vast network of over 10,000 business and community leaders to celebrate 'cool' Manitoba success stories (i.e. companies that feature remarkable, unique, highly creative products). We are doing so across the gamut of communication vehicles including video, podcasts, articles, and events:

- The Focus Magazine: Each issue will look at three of Manitoba's Cül Companies and the secrets of their success.
- A New Radio Show: Partnering with Red River College's 92.9 Kick F.M. the MCC will host a monthly call-in radio show with the CEO of a Cül Company.

Podcasts of each show are available.

- Cül Company Breakfast: A networking event where three Cül Companies briefly discuss challenges they have faced and then open up for a Q&A with the audience.

20 free tickets will be given to business students to help encourage our entrepreneurs of tomorrow.

- Videos: Videos will provide an inside look at each Cül Company and highlights of the breakfast.

As indicated in previous submissions, the Manitoba Chambers of Commerce also uses a number of vehicles to highlight the work of the Government of Manitoba:

- **The ‘Manitoba Matters’ section of the Focus:** this bulletin board format includes notices of key government activities;
- **MCC TV:** to our knowledge we continue to be the only business association in Canada to provide regular video highlights of each Minister’s speech;
- **The E-Omnibus:** this weekly bulletin now includes a number of items under a ‘Key Government Initiatives’ section;
- We are working on a new website that will provide front page section devoted to new government initiatives;
- Our website continues its annual practice of providing a story that is solely devoted to highlighting the great initiatives of each provincial budget;
- **Manitoba’s Cül Companies:** interestingly, many Cül Companies credit various government initiatives as being instrumental to their start-up and growth. We have made a point of highlighting this in our coverage of the Cül Companies. Needless to say, these testimonials from successful peers are a great help to both get the word out about government programs and enhance their credibility.

The revamp of our website is adding a number of other features that will help promote Manitoba’s entrepreneurs and facilitate the exchange of ideas:

- **Business Tips Online (BTO):** gives entrepreneurs the chance to access key insights through three formats: articles, peer-to-peer virtual networking and videos;
- **Meet Our Members (MOM):** gives corporate members of the Manitoba Chambers a chance to both submit and view articles and videos profiling our members;
- **Info for Local Chambers:** includes Chamber Virtual Networking, the strategic plans and by-laws of local chambers throughout Manitoba, transcripts of the local chamber best practices sessions from our AGMs, and ‘how to’ manuals covering all aspects of operating a local chamber.

The Great Jobs Agenda calls for the ‘identification and removal of roadblocks to those on low income’. The Manitoba Chambers has worked, and will continue to work, with a wide array of poverty groups to help move this issue forward.

As indicated, we began targeting the need for benchmarks for Manitoba in our 2005 submission. The issue of how we judge our progress as a province is incredibly important.

It is also incredibly challenging. There is no shortage of benchmark studies but none seem to resonate with the public beyond the 24 hour news cycle following the release of the study. As well, it seems that most are based on the old industrial model and do not adequately reflect the key aspects of a creative economy.

The Manitoba Chambers has heavily invested in this issue, closing in on three years of studying benchmarks from around the world and from a wide array of institutions.

The project is nearing completion and we are hopeful that it will be a cutting-edge made-in-Manitoba solution that profoundly changes the way we see and discuss Manitoba's progress towards its potential.

III) LOOKING BACK, PART 2: THE GOVERNMENT OF MANITOBA

This government has a great deal – a great deal! – to be proud of.

As we indicated last year, we are pleased to see that many of the government's initiatives reflect the spirit of the Great Jobs Agenda. While in no way exhaustive, the following list provides some examples in this regard:

- **Benchmarks:** The Manitoba Government developed Benchmarks in 2005 and sought public feedback. Various government departments have been working on developing and enhancing their own benchmarks;
- **Poverty Reduction:** The Government has undertaken a wide array of initiatives from the Rewarding Work Initiative, to tax relief, to housing to help those suffering from economic hardship (Many, but not all, of these initiatives are set out in the 2008 Budget Paper “Supporting Manitoba’s Children and Families”);
- **A new Manitoba Innovation Council:** The Manitoba Chambers was part of the European tour that led the business community to propose this idea. We were pleased to endorse it and are equally pleased to see the Manitoba Government commit to it.
- **Tax Relief:** We acknowledge and applaud the extensive tax relief this government has embarked on (the largest in Manitoba’s history) including, but not limited to, its commitment to eliminate the small business tax and the capital tax.

- **Immigrant Settlement and Training:** Budget 2008 provided an additional \$1.2 million for immigrant settlement and language training services, labour market services and the Qualifications Recognition Strategy.⁸

IV) MOVING FORWARD:

This submission is in no way meant to be a criticism of the government's actions, in fact in many explicit ways it offers praise.

Too often our advice has been construed as criticism. To be fair, at times we have been critical, but that is not the case here.

A Budget is a time to build on success and meet challenges head on. It is primarily an exercise in looking forward, in charting a course for the province. That is the spirit in which this submission is being offered.

We do not intend to provoke a debate about the past – about what might have or should have been. Instead, we are simply suggesting a course of action that can take Manitoba to the next level – a goal that unites both the Manitoba Chambers of Commerce and the provincial government.

For example, if we suggest payroll tax relief we do not mean to impugn the relief that has occurred to date – we are simply suggesting that the payroll tax should be the next target.

As indicated, this submission draws heavily on the Martin Prosperity Institute. Its latest report, "Ontario in the Creative Age" confirms the wisdom of the Great Jobs Agenda.

This in and of itself should not be surprising as the Great Jobs Agenda was partly inspired by Richard Florida who is now with the Institute.

That said, it is worthy of note that this leading institution, helmed by two of our countries finest minds - Florida and Roger Martin, Dean of the Rotman School of Management – has recently produced a report for the Province of Ontario that echoes much of what we have been saying in the Great Jobs Agenda for the last four years.

This is a time of significant upheaval and turmoil in the financial and global markets. However, the ultimate change and the greatest upheaval stems from - and will continue to stem from - the ongoing evolution of globalization and the knowledge (we prefer the term 'creative') economy.

⁸ As indicated, this list is in no way exhaustive. Some additional initiatives will be mentioned in this submission.

Not only are the forces of globalization and the creative economy permanent, the depth and breadth of their scope will have profound implications for the future propensity of all jurisdictions. Consider in this regard the words of the Martin Prosperity Institute:

“The current economic transformation is as big and as challenging as the transformation from agriculture to industry. Our economy is shifting away from jobs based largely on physical skills or repetitive tasks to ones that require analytical skills and judgment. This shift is also evident in the long-term trend away from employment in goods-producing to service industries, from occupations that depended on physical work to produce goods to ones that provide service and rely on creativity. The change is inexorable. We cannot turn away from it; nor can we slow it. The clock of history is always ticking. Competitive advantage and prosperity will go to those jurisdictions that can best prepare themselves and adapt to this long-run trend. We must embrace it and act in ways that create a distinctive advantage for the province and ensure our long-term prosperity.” P. 1

“The shift we are seeing now is based fundamentally on human intelligence, knowledge, and collaborative skills.” P. 5

“Creativity-oriented occupations require workers to apply thinking and knowledge skills to changing situations and to make decisions on how best to proceed.” P. 5

“Routine-oriented jobs require workers to carry out tasks in a prescribed order or to do the same tasks repetitively according to a pre-ordained set of operating procedures. In essence, they run an algorithm – a specific set of procedures that will produce the desired result.” P. 5

“Human creativity is a virtually limitless resource. Every one of us is creative in some way and has the potential to exercise our creativity. Creativity is also the great leveler. It cannot be handed down, and it cannot be owned in the traditional sense. We have no way of knowing who the next creative geniuses will be or where they will come from. Yet our society continues to encourage the creative talents of a minority; it neglects the creative capacities of many more.” P. 5

“The real challenge of the creative age is to build something more than a creative economy – a truly *creative society* that can harness the energy we have unleashed and mitigate the turmoil and disruption that it generates. That’s a very tall order.” P. 5

We are at a crucial juncture, some might say precipice, and we must be careful in what we do.

‘What Not to Do’:

Simply put, now is not the time for our provincial government to run a deficit and we endorse your commitment to draw on the fiscal stabilization fund rather than incurring a deficit.

There will be a challenge insofar as the new Balanced Budget legislation has a definition of ‘deficit’ that may surprise many. This will undoubtedly cause confusion as to what is meant by a ‘deficit’.

When we are talking about a ‘deficit’ we are talking about core government operations and a single year as opposed to a four year average (i.e. ‘deficit’ as defined by the previous Balanced Budget legislation). We hope that is what you meant by using the word ‘deficit’ as well.

As always – indeed, perhaps even more so in these challenging times – it is important to spend government resources wisely and within our means; a goal that falls within your commitment to insure Manitobans have a government that is affordable.

To this end, we repeat the recommendations of one of the Manitoba Chambers’ current Resolutions:

Resolution: That the Government of Manitoba:

- a) create a culture in the public sector that inspires and rewards employees for finding efficiencies;
- b) review all programs every year to determine where the payoffs are the greatest and identify areas where spending can be reduced or eliminated;
- c) further to the efforts described in b), establish a Commission on Efficiencies that engages the public in an effort to determine if the services provided by the Province are being done in a cost-effective and efficient manner; and
- d) consider the use of ‘sunset clauses’ in all new program spending.

‘What to do’:

Now is the time to fully embrace the remaining aspects of the Great Jobs Agenda. To both support and explain the wisdom of this course of action we will now extensively quote from the Martin Prosperity Institute, comparing its latest report, “Ontario in the Creative Age”, to our previous recommendations.

V) THE MAP:

It is worth repeating, the point here is not to suggest that the Government’s activities do not reflect the recommendations of either the Great Jobs Agenda or the Martin Prosperity Institute. Indeed, there is significant symmetry between many of those proposals and the actions of our government.

For example, the Institute specifically notes the importance of the following:

“Make Early Childhood Development a High Priority

This is the highest payoff investment we can make in our long-run prosperity. As we have seen, early childhood development is key to the full development of human capabilities and talents.” P. 33

This is certainly an issue that the Manitoba Government has led the way on.

The point here is that while the government has done many great things the issue before us is how to build on those successes. That is where the outstanding items of the Great Jobs Agenda can guide us.

To confirm this point, consider the degree to which the latest report from the Martin Institute for Prosperity echoes the advice we have been giving in the Great Jobs Agenda (The Great Jobs Agenda is in italics).

Mindset (*attitude is key*)

Adopt a ‘creative capital mindset’ – one that judges all economic policies against the basic standard of whether they are empowering each individual to obtain employment that fully taps into their creative potential. [MCC 2006 Pre-Budget Submission p. 6, repeated in 2007 Pre-Budget Submission at p. 4, repeated in the 2008 submission]

General:

“We must harness the full creative potential of all Ontarians. To prosper in the global economy, we must create new jobs in high-value industries and occupations, and shift our employment from routine-oriented to creativity-oriented occupations, while boosting the creative content of all work in all our industries. We must encourage and reinforce the development of our clustered industries to compete more on the basis of distinctive advantage than on low cost or replication of what is done elsewhere.” P. v

At its most basic, this change in mindset involves the way we view the challenges of the globalized knowledge-based economy.

And rest assured, the issue of mindset applies to the business community as much as it does to individuals, our communities and our policy makers. [MCC 2006 Pre-Budget Submission p. 11, repeated in 2007 Pre-Budget Submission at p. 9]

The Role of Government:

It is not only the right thing to do, it is the smart thing to do – and like all true wisdom, you can’t mandate it through legislation (especially in relation to something as dynamic and demanding as the economy), you create an environment that allows it and inspires it.

[MCC 2006 Pre-Budget Submission p. 11, repeated in 2007 Pre-Budget Submission at p. 9]

“For governments, this means making the right investments – ones that provide general and specialized support for the foundation of creativity and innovation.” P. 2

“Government must orient its investments and incentives toward businesses and firms that invest in and cultivate the full range of human potential. It must create a regulatory and business climate that encourages this kind of shift.” P. 31

The Role of Business:

For too long Canadian and Manitoba businesses have competed on the basis of a low dollar and smaller pay hikes. Those days are gone, and while many of our companies are competing based on sophisticated processes and products this will continue to be in dribs and drabs until creativity becomes a key agenda item. [MCC 2006 Pre-Budget Submission p. 11, repeated in 2007 Pre-Budget Submission at p. 9]

“For business, that means managing and organizing so workers can contribute and employ their creative thinking skills. Employers must identify opportunities for greater creativity in the jobs they ask people to do. As much as possible, they must base jobs on creativity, not routine.” P. 31

The Role of the Individual:

“For individuals, it means investing in their own capabilities and skills. It also means investing their time and money in local businesses and in local arts, cultural, and charitable organizations.” P.2

“Workers, too, need to develop their skills and strive to contribute. They must be engaged and identify opportunities for greater creativity in their jobs with their employers – in fact, they should not settle for jobs that are not drawing as much as possible on their creative skills. Labour groups can also play a role by engaging collaboratively in the shift toward harnessing the full capabilities of the workforce. Workers who contribute more are not only more productive, they are more excited and engaged in their work.” P. 31

The Exact Nature of the Challenge:

‘Innovation’, ‘knowledge economy’, ‘value-added’ and ‘creativity’ have become buzzwords. Many profess to honour these ideals but few actually do. We are talking about a very specific kind of ingenuity:

“Ontario needs to deepen our skills, with a focus on analytical and social intelligence skills. We need to challenge our workers and our businesses to compete more on the basis of creativity and distinctiveness.” P. 2

And, perhaps most important of all, we need to be brutally honest with ourselves on the nature of the challenge and the degree to which we are meeting it:

“Although we house many world class industries, not enough of our businesses and industries compete on the basis of the unique and superior goods and services that are required to ensure lasting global competitiveness. And our economy does not place the same kind of premium on the core creative skills that drive economic growth as do our peers. As a result, our citizens’ creative skills are less developed than those of the world’s leading jurisdictions.” P. 2

“There is no magic bullet. But sooner or later some jurisdiction will determine how to tap more fully the creative talents of much broader segments of its people – and it will gain a distinctive advantage. Japan’s auto manufacturers plumbed the knowledge and creativity of their shop-floor workers and gained a tremendous competitive advantage. Ontario’s own Four Seasons has done so in bringing guest service to new, world beating levels, thanks to empowered front-line employees.” P. 6

While the Challenges and Risks are Great, so are the Benefits:

The creative capital mindset answers all these concerns. It serves the business community by nurturing the talent, the environment, and the technological advances that are crucial to thriving in today’s dynamic value-added markets...The ‘creative capital’ mindset serves each and every worker by harnessing their full creative potential in a way that provides access to satisfying jobs (desired pay and engaging work). It serves every citizen by enhancing the capacity of the economy to fund the programs expected of government. [MCC 2006 Pre-Budget Submission p. 14, repeated in 2007 Pre-Budget Submission at p. 12]

“And as we move from occupations with a lower to higher analytical and social skills, wages increase, which is not the case with physical skills. As occupations increase in their analytical skills content, wages increase... For example, a physicist – near the top of analytically skilled occupations – earned on average \$67,500 in 2005, while a pile-driver operator at the bottom of the list earned \$46,500. Across all occupations, the higher an occupation is on the analytical index, the more it pays.” p. 14

“The result is a triple win – where workers are more engaged, productivity improves for companies, and the prosperity of the province increases.” P. 31

An Environment Where Business Can Thrive

If the goal of the Great Jobs Agenda is to provide people with jobs that are well-paying, meaningful and tap into their talents, then we need an environment that enables businesses to create/maintain those jobs. [MCC 2006 Pre-Budget Submission p. 6, repeated in 2007 Pre-Budget Submission at p. 4 and the 2008 submission]

“Government must orient its investments and incentives toward businesses and firms that invest in and cultivate the full range of human potential. It must create a regulatory and business climate that encourages this kind of shift.” P. 31

Nurture Skills/Recognize Skills

None of the items we propose for the skills strategy (lifelong learning, the importance of skills acquisition from the most basic to the most sophisticated, skills recognition, etc) are new. Indeed, great strides have been accomplished in relation to many of them. The key call for change is twofold:

- *that these strategies receive an even greater focus from government, business, labour and the public as part of a Great Jobs Agenda; and*
- *as such, every single initiative must be evaluated against the standard of whether the skills of the individual involved have been enhanced in a way that leads to engaging and financially rewarding employment.*

[MCC 2006 Pre-Budget Submission p. 6, repeated in 2007 Pre-Budget Submission at p. 4 and the 2008 submission]

“Ontario needs to raise its talent attainment – the percentage of our work force that has post secondary education. We must aspire to be the education province – known readily throughout the world as the jurisdiction with a highly educated population and world renowned centres of learning and research.” P. 2

“Each one of us must have the opportunity and ability to acquire the core skills required for success in the creative age – analytical skills and social intelligence skills. It is important to remember that analytical skills are broad and are not synonymous with limited to the science, technology, engineering, and mathematics (STEM) disciplines; and that social intelligence skills are as necessary and as valued, if not more so, than analytical skills. Thus we need to broaden our current higher education focus to include more than the analytical skills of the STEM disciplines.” P. 32

“... we must develop a broad education system – curricula, subject matter, and teaching styles – that encourages creativity and cultivates both the analytical and social intelligence skills we need to compete at the frontier of the creative age.” P. 32

Identify & Remove Roadblocks for Those on Low-income

[MCC 2006 Pre-Budget Submission p. 5, repeated in 2007 Pre-Budget Submission at p. 5 and the 2008 submission]

“We need to aim for a social safety net that encourages and assists Ontarians to develop and achieve their full creative potential.” P. v

“We need to design a social safety net system for the creative age – one that partners with those who have the determination to participate fully in the creative economy.” P. 3

“But our social safety net remains a legacy of the older, industrial age. It provides material support but does little to nurture and develop creative talents.” P. 34

Trumpet Success

Collectively we must do a better job of sharing business and government success stories in a way that both inspires and instructs.

[MCC 2006 Pre-Budget Submission p. 7, repeated in 2007 Pre-Budget Submission at p. 6 and the 2008 submission]

“And it [government] can help by working collaboratively with business, labour, and academics to identify and disseminate best practices in job design for creativity. One option is for the Premier or the Ministers of Economic Development and Labour to host a summit on redesigning jobs for creativity. We strongly urge the province to focus especially on routine-oriented service occupations, which employ the largest number of Ontarians, and where there is a big need and an opportunity to improve the wages as well as the content of their work.” Pp 31-2

All Together

The most important aspect of the Great Jobs Agenda is that government, business and labour agree to work on it together.

[MCC 2006 Pre-Budget Submission p.8, repeated in 2007 Pre-Budget Submission at p. 6 and the 2008 submission]

“While the provincial government has a role in stewarding and investing in this transformation, to be truly successful Ontario’s Prosperity Agenda requires a collective effort of business, labour, academia, the non-profit sector, community groups, and all our citizens.” P. 31

The group would also need to engage in a more detailed analysis of Manitoba's economy. For a numbers of years we have asked you to:

“in partnership with the business community, the education system, and labour, facilitate an economic vision that includes Cluster strategies for each of Manitoba's economic strengths. This partnership must be meaningful and get ‘beneath the surface’ to truly understand what our economic strengths need in order to truly thrive.” [MCC 2006 Pre-Budget Submission, p. 31, repeated in 2007 Pre-Budget Submission at p. 30]

“We must encourage and reinforce the development of our clustered industries to compete more on the basis of distinctive advantage than on low cost or replication of what is done elsewhere.” P. v

We note as well that the report of the Institute champions connectivity:

“We must also develop strategies and invest in infrastructure that can better connect currently disconnected places and communities – older industrial centres, far flung and geographically dispersed rural communities, and inner city neighborhoods – to that growing core.” P. 35

Connectivity is not specifically part of the Great Jobs Agenda; however, we do have two Resolutions on that matter:

Manitoba - Canada's Gateway To Global Trade

Resolution: That the government of Manitoba embrace fully the principles of the Mayor's Trade Council Report and the Manitoba International Gateway Strategy (MIGS) and immediately enlist public and private sector leaders to accomplish development of a Strategy to position Manitoba to become Canada's Gateway to Global Trade.

A Wireless Portal Plan For Rural Manitoba

Resolution: That the Government of Manitoba act on the acknowledged need to initiate a feasibility study/business plan development for the establishment of a wireless portal for Rural Manitoba with the goal to develop a comprehensive study for the following:

- a) Needs assessment: consult with community leaders, government organizations, economic development organizations and other interested parties
- b) Opportunity evaluation: identify the most likely areas of gain for the development and sustainability of the portal

- c) Identification of implementation alternatives: consider the costs of practical implementation and the best ways to take advantage of existing infrastructure and expertise
- d) Development of options: develop alternative practical plans for implementation
- e) Identification of benefits: identify benefits that flow to partners, stakeholders and users
- f) Assessment of current capacity: examine current internet infrastructure in target communities, and current capacity of communities to implement and access a wireless portal
- g) Literature review: identify information resources of potential value to the establishment and sustainability of a wireless portal and build a database of such information resources
- h) Analysis of findings: considering the above areas for study, advise as to the potential to develop and sustain a wireless portal.

While work remains to be done in relation to both of these issues, we do commend the government for its work on these matters.

VI) THE ROAD AHEAD: KEY ASPECTS OF THE GREAT JOBS AGENDA THAT NEED ATTENTION

a) Commit to Eliminate the Payroll Tax:

You have responded to our requests for eliminating the payroll tax by pointing to your commitment to eliminate the capital tax. We are not questioning that decision; in fact the elimination of the capital tax was called for in the Great Jobs Agenda. What we are saying is, on a go forward basis the next tax to target should be the payroll tax.

You have also responded that this is the time to focus on capital investments.

To this we respond with the following quote from the Martin Prosperity Institute:

“The terms of competition and of prosperity have shifted from physical assets to human assets.” P. 33

Candidly, we think the Institute overstates the case here. The truth is, now more than ever both capital and human resources are important.

Indeed, your government's actions seem to confirm this. While targeting the elimination of the capital tax it has also confirmed that growing the ranks and prosperity of the employed matters. To take your 2008 Budget Speech as an example:

- “The competition for skilled labour is fierce...” (p. 1)
- “population increase was the highest in 25 years, driven by exceptional levels of immigration and the best interprovincial migration numbers in almost a quarter century;” (p.1)
- “employment grew 1.6%, as the employment rate and labour force participation rate reached all-time highs;” (p. 1)
- “average weekly earnings grew 4.2%, stronger than Canada and the highest increase in almost 20 years;” (p. 1)
- “To encourage graduates to put down roots and start their careers here in Manitoba, we now offer the most attractive tax environment for new graduates in all of Canada.” (p. 3)
- “Manitoba business leaders have made one thing clear – their number one priority is building the skilled labour force needed to keep pace with changing demands.” (p. 6)

We are all too aware that you have a number of demands for tax relief. Calls for income tax relief are very popular. However, aside from low income tax relief we do not see a greater priority than the elimination of the payroll tax.

In an April 2, 2007 Winnipeg Free Press opinion–editorial we wrote:

The Alberta government's comparison of how the provinces tax income of \$100,000 is a real eye opener. Many wouldn't be surprised to see that Manitoba ranks the worst in the West while Alberta ranks the best in Canada. But that may be a red herring. Here's the real kicker: the tax difference amounts to \$4,367. And that's without taking into account cost of living, which usually works to Manitoba's advantage. Now ask yourself this: If you were earning \$100,000, would you move to Alberta to save \$4,367?

The Manitoba government's annual comparison of the cost of living across the provinces tops out at salaries of \$60,000 and \$75,000. Those comparisons suggest you would save between \$1,000 and \$2,200 on taxes if you moved to Alberta (again, this doesn't include other costs of living that usually work to Manitoba's advantage). If you were earning between \$60,000 and \$75,000, would you uproot your family and leave friends and relatives for \$2,200?

The problem isn't how we tax those who make between \$60,000 to \$100,000; our problem is we don't have enough jobs paying between \$60,000 and \$100,000. That leads us to Step 1 in our Budget Plan: All economic policies need to be designed to enhance — and judged against — the existence of well-paying and engaging jobs.

We believe this to be true to this day. The 2009 Pre-Budget submission of the Business Council cites an interprovincial comparison of total direct taxes prepared by the BC Ministry of Finance. The comparison suggests a range of Manitobans pay more than their Alberta counterparts as follows (the Business Council listed all the provinces, we picked the jurisdiction with the lowest taxes to make our point):

- Two income family of 4 earning \$90,000: + \$4,583
- Two income family of 4 earning \$60,000: + \$2,850
- Unattached individual earning \$80,000: + \$4,363

We find it hard to believe that anyone would move to Alberta (even without taking into account the huge disparity in the high cost of living in Alberta) to save \$4,500 to \$2,800 a year in taxes.

Page four of the text of your Budget Speech suggests that Manitoba's provincial income tax paid after tuition credits and rebates for a single person earning \$50,000 in taxable income is the lowest among the provinces. We wonder what percentage of students coming out of school (or shortly thereafter) earn \$50,000 in Manitoba?

In November 2008, the latest period for which figures are available, Manitoba had the eighth lowest average weekly earnings among the provinces, exceeding only PEI and Nova Scotia.

In short, while we are open to being proven wrong by any data you can provide, we still think "The problem isn't how we tax those who make between \$60,000 to \$100,000; our problem is we don't have enough jobs paying between \$60,000 and \$100,000."

One clear impediment to wage growth is the payroll tax. This is not to say that wage growth is impossible with a payroll tax, but a payroll tax makes it that much harder.

Clearly you are dedicated to job growth and wage growth. It simply does not make sense to have those goals and impose a profit insensitive tax that penalizes businesses for hiring more or paying more.

Our specific recommendation in that regard is as follows:

Resolution: That the Government of Manitoba commit to a series of annual reductions in the payroll tax, through a variety of increases in the exemption level and decreases to the rates, with the ultimate goal of eliminating this tax by 2013.

Of course, eliminating the payroll tax is just one aspect of the tax vision we have called for:

To this end, a long-term tax vision is needed:

Step 1:

- In addition to your current plans for tax relief, commit to focused relief for low income Manitobans and make it a priority to eliminate all capital taxes, all sales tax on capital and all profit insensitive taxes.
- While the ‘price tag’ is admittedly fairly heavy, quite simply the payroll tax needs to go. It is profoundly wrong-headed to tax a business for increasing staff and/or their wages. At the very least, you must declare your intent to eliminate this tax and develop a multi-year strategy to do so.
- The specific path of implementation will of course depend on the availability of revenue, what we are simply seeking at this point is a commitment that new tax relief will focus on these items over the near and medium-term.

Step 2: For the long-term you need to look at the elimination of these taxes, then moving on to further corporate and income tax relief. Unfortunately, fiscal restraint and new revenues may not be enough to fund this relief. Of course, deficits would not be a prudent response. Accordingly, you should immediately commit to developing a strategy that will consider how to move our province more from a regime that taxes investment/income to one that taxes consumption. This ‘big picture’ thinking should include an analysis of the following:

- the economic effect of eliminating the corporate tax, “This is an unconventional solution and further research is required to assess the long-term impact on tax revenue, repatriation of earnings by foreign companies and other issues.”⁹;
- converting the PST into a broad-based value added tax covering goods and services¹⁰;
- basing personal taxation on lifetime earnings.¹¹; and
- a consideration of how other jurisdictions tax; what insights may be gained therein; and how, if at all, this could be applied to Manitoba. For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.¹²

b) Nurture Skills/Recognize Skills and Identify and Remove Roadblocks for Those on Low-income

As indicated, we applaud your efforts in regard to these two components of the Great Jobs Agenda.

⁹ “Rebalancing priorities for prosperity”, Fourth Annual Report, November 2005, p. 45.

¹⁰ Ibid., p. 45.

¹¹ Ibid., p. 46

¹² Ibid., p. 44.

However, as we move forward it will be important to involve a wide range of the stakeholders in the implementation and evaluation of these efforts.

Further, the evaluation needs to be candid and assess progress in the context of the goals of the Great Jobs Agenda – namely, are they leading to creative jobs (engaging and well-paying) in Manitoba?

Examples of the candor we are suggesting are displayed throughout the Martin Prosperity Institute's report.

For example, one of the key items they identify is diversity. One would think it would be easy to suggest that Ontario is incredibly diverse. Note how the following gets past this convenient impression and looks at the real challenge facing Ontario:

“Yet Ontario's diversity advantage is not translating to innovation and prosperity. This is certainly the case in comparison to our US peers, where states and cities gain more in terms of economic performance from diversity and openness. Our challenge is to increase our “take” from this diversity and tolerance advantage.” P.

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c) Broaden Knowledge of the Law and Trumpet Success

We look forward to continuing to work with you on these issues.

d) All Together: The most important aspect of the Great Jobs Agenda is that government, business and labour agree to work on it together.

We think the greatest need moving forward is developing the type of analysis and partnership that will yield the strategy, commitment and insight we need.

It is a call we have made before:

To a significant degree an element of cooperation already exists in Manitoba. To build on this momentum the government should create a Forum on the Great Jobs Agenda;

- The Forum should have two responsibilities: ongoing and timely reporting on, and measurement of, the Great Jobs Agenda; and an assessment of the combined effects of provincial initiatives that influence the Great Jobs Agenda. The Forum should report annually to the Manitoba Legislature and the public on its findings in each of its areas of responsibility;
- The Forum should be established for an initial four-year period. The Forum's mandate should be renewed if a public review concludes that it has been effective in fulfilling its responsibilities;

- The Forum should consider productivity issues, but that analysis will need to occur within the context of the Great Jobs Agenda;
- As part of its reporting the Forum should perform an ongoing and detailed analysis of Manitoba's economy. To lead to truly informed policy decisions this analysis must look at each sector, not just the economy as a whole. This analysis should reveal:
 - The need for specialized training and research institutions on a sector-by-sector basis;
 - Specialized infrastructure needs on a sector-by-sector basis;
 - The need for special regulatory regimes on a sector-by-sector basis; and
 - Any other special needs identified on a on a sector-by-sector basis.
- The Forum should have a website, with regular updates that are both posted and emailed to subscribers. The website and activities of the Council of the Federation are good examples of the type of collaboration and reporting that is envisioned.¹³ The Task Force on Competitiveness, Productivity and Economic Progress is another good example.¹⁴
- Ideally the Premier's Economic Advisory Council should be tasked with the role of the Forum, however, if PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so. [MCC 2006 Pre-Budget Submission, p. 8, repeated in 2007 Pre-Budget Submission at p. 7 and in the 2008 submission]

Again, note the example of the Martin Prosperity Institute. Not only is the analysis insightful and candid, it is public.

As well, the Institute has a deliberate and strategic – and public - plan to continue to raise the level of the sophistication of its analysis. Here is a sample of some of its upcoming work (again, all will be made public):

- Andrea Baldwin, Creativity, Social Benefit and Job Creation: The Potential for Social Entrepreneurship in Ontario
- Betsy Donald, From Kraft to Craft: Innovation and Creativity Ontario's Food Economy
- Betsy Donald, Heather Hall, Innovation and Creativity on the Periphery: Challenges and Opportunities in Northern Ontario

¹³ See <http://www.councilofthefederation.ca/>.

¹⁴ www.competeprosper.ca.

- Richard Florida, Charlotta Mellander, Kevin Stolarick, Into the Black Box of Regional Development: Case Canada
- Chris Kennedy, Bryan Karney, Eric Miller, Marianne Hatzopoulou, Infrastructure and the Economy: Future Directions for Ontario
- Karen King, Immigration and Education and Skills in Canada
- Stewart Melanson, Learning from the Past, a Historical Perspective – Volume 1: The Automotive Industry and Economic Development in Ontario (1904 to the Present)
- Stewart Melanson, Learning from the Past, a Historical Perspective – Volume 2: Learning from the Past: The Rise of Toronto as a Financial Centre
- Carla Sadini, Evaluating Higher-Education Excellence Using the 3Ts – Creation and Attraction of Technology, Talent and Tolerance by Ontario Colleges and Universities
- Tara Vinodrai, The Place of Design: Exploring Ontario’s Design Economy
- Amy Cervenak, Sana Nisar, Yousuf Haque, Service Class Prosperity in Ontario
- Richard Florida, Kevin Stolarick, Kathrine Richardson, Microsoft Canada – A Case Study of the New Development Centre in Richmond, BC
- Karen King, Charlotta Mellander, Kevin Stolarick, What You Do, Not Who You Work For: A Comparison of the Occupational and Industry Structures of Canada, the United States, and Sweden
- Scott Pennington, The Opportunity for Entrepreneurship in Ontario
- Anil Verma, Low Wage Service Workers: A Profile

Final Remarks

It may be hard to believe at this juncture, but the turmoil of the financial markets will pale in comparison to the momentous shifts that are taking place and continuing to evolve in the creative globalized economy.

The Government of Manitoba has much to be proud of. In many ways it has laid a good foundation to enable Manitoba to prosper in a creative economy.

However, to build on that foundation, to take the next step in realizing Manitoba's potential, it must embrace the rest of the aspects of the Great Jobs Agenda.

The Manitoba Chambers thanks you for the opportunity to make this submission.

We will close as our introduction began, with the words of the Martin Prosperity Institute:

“The great promise of our time is that, for the first time in human history, the logic of economic development and prosperity requires that we harness and develop our full human potential. Economic development requires higher levels of human performance.”

Appendix 1: The Great Jobs Agenda (first proposed February 16, 2006)

1) Mindset (attitude is key)

Adopt a ‘creative capital mindset’ – one that judges all economic policies against the basic standard of whether they are empowering each individual to obtain employment that fully taps into their creative potential (i.e. jobs that are well-paying, meaningful and tap into their talents).

2) An Environment Where Business Can Thrive

If the goal of the Great Jobs Agenda is to provide people with jobs that are well-paying, meaningful and tap into their talents, then we need an environment that enables businesses to create/maintain those jobs.

To this end, a long-term tax vision is needed:

Step 1:

- In addition to your current plans for tax relief, commit to focused relief for low income Manitobans and make it a priority to eliminate all capital taxes, all sales tax on capital and all profit insensitive taxes.
- While the ‘price tag’ is admittedly fairly heavy, quite simply the payroll tax needs to go. It is profoundly wrong-headed to tax a business for increasing staff and/or their wages. At the very least, you must declare your intent to eliminate this tax and develop a multi-year strategy to do so.
- The specific path of implementation will of course depend on the availability of revenue, what we are simply seeking at this point is a commitment that new tax relief will focus on these items over the near and medium-term.

Step 2: For the long-term you need to look at the elimination of these taxes, then moving on to further corporate and income tax relief. Unfortunately, fiscal restraint and new revenues may not be enough to fund this relief. Of course, deficits would not be a prudent response. Accordingly, you should immediately commit to developing a strategy that will consider how to move our province more from a regime that taxes investment/income to one that taxes consumption. This ‘big picture’ thinking should include an analysis of the following:

- the economic effect of eliminating the corporate tax, “This is an unconventional solution and further research is required to assess

- the long-term impact on tax revenue, patriation of earnings by foreign companies and other issues.”¹⁵;
- converting the PST into a broad-based value added tax covering goods and services¹⁶;
 - basing personal taxation on lifetime earnings.¹⁷; and
 - a consideration of how other jurisdictions tax; what insights may be gained therein; and how, if at all, this could be applied to Manitoba. For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.¹⁸

3) Nurture Skills/Recognize Skills

None of the items we propose for the skills strategy are new (lifelong learning, the importance of skills acquisition from the most basic to the most sophisticated, skills recognition, etc). Indeed, great strides have been accomplished in relation to many of them. The key call for change is twofold:

- that these strategies receive an even greater focus from government, business, labour and the public as part of a Great Jobs Agenda; and
- as such, every single initiative be evaluated against the standard of whether the skills of the individual involved have been enhanced in a way that leads to engaging and financially rewarding employment.

4) Identify & Remove Roadblocks for Those on Low-income

Engage in effective tax relief for low-income tax payers.

As an interim step, the government must immediately follow-up on these items contained in the 2005 Budget Papers:

- “Recent federal-provincial work on Market Basket Measures (Human Resources Development Canada, 2003) may provide a further tool for assessing the breadth and depth of low income in Manitoba.”¹⁹ and “Manitoba is also closely monitoring the development of market-basket measures of low income to determine their usefulness as a

¹⁵ “Rebalancing priorities for prosperity”, Fourth Annual Report, November 2005, p. 45.

¹⁶ Ibid., p. 45.

¹⁷ Ibid., p. 46

¹⁸ Ibid., p. 44.

¹⁹ Budget Paper F, “Addressing Poverty in Manitoba”, p. 3.

policy tool for setting welfare rates and establishing non-refundable income tax credits.”²⁰

- “Preliminary results indicate that work is needed on reducing marginal effective tax rates.”²¹
- “In the future, Manitoba will examine whether the broad range of boutique programs that are available can be modified or consolidated to reduce high marginal tax rates that may be a disincentive to participating in the labour force.”²²
- “... the ability of low-income families to build assets is also a concern.”²³ and “To this end, the Manitoba Government is supporting a pilot project on Individual Development Accounts in Winnipeg.”²⁴

As well, if you are going to continue with the Manitoba Advantage analysis you should include a cost comparison of families living on a minimum wage income.

5) Trumpet Success (Business & Government)

Collectively we must do a better job of sharing these success stories in a way that both inspires and instructs.

6) Obey the Law

Laws that are not enforced serve no purpose other than to permit victimization of workers and to penalize law-abiding employers.

7) Broaden Knowledge of the Law

The first step to an effective regulatory system is knowledge as to its existence.

8) All Together (Government, Labour, Community Groups and Business Must Work Together)

²⁰ Ibid., p. 21.

²¹ Ibid., p. 21.

²² Ibid., p. 21.

²³ Ibid., p. 21.

²⁴ Ibid., p. 22.

The most important aspect of the Great Jobs Agenda is that government, business and labour agree to work on it together.

To a significant degree an element of cooperation already exists in Manitoba. To build on this momentum the government should create a Forum on the Great Jobs Agenda;

- The Forum should have two responsibilities: ongoing and timely reporting on, and measurement of, the Great Jobs Agenda; and an assessment of the combined effects of provincial initiatives that influence the Great Jobs Agenda. The Forum should report annually to the Manitoba Legislature and the public on its findings in each of its areas of responsibility;
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- The Forum should have a website, with regular updates that are both posted and emailed to subscribers. The website and activities of the Council of the Federation are good examples of the type of collaboration and reporting that is envisioned.²⁵ The Task Force on Competitiveness, Productivity and Economic Progress is another good example.²⁶
- Ideally the Premier's Economic Advisory Council should be tasked with the role of the Forum, however, if PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so.

The Great Jobs Agenda will build bridges - among constituents and towards economic and individual prosperity. It is an agenda for a province that wishes to thrive in an increasingly knowledge-based and global economy.

²⁵ See <http://www.councilofthefederation.ca/>.

²⁶ www.competeprosper.ca.