



Prosperity for posterity

Will P.E.I.'s four-point plan help it achieve economic self-sufficiency?

By Darcy Rhyno

When I asked Prince Edward Island poet Deirdre Kessler for her observations about the character of her province, she responded, "There is something about islands. There's a kind of pride that comes from being cut off from the mainland, and a sense of independence, too." Kessler believes geography and history have contributed to the development of this characteristic Island perspective. "P.E.I. was once self-sufficient. We could grow everything we needed, and without importing could be self-sufficient."

Kessler, however, isn't a hopeless romantic. "There's no such thing as being independent in the same way as in the 19th century, but there's a leftover vestige of that culture, that mentality of deep down being self-sufficient, not needing the mainland."

Without intending to do so, her sentiment characterizes the approach taken by the provincial government when it created Innovation PEI. Allan Campbell, minister of innovation and advanced learning, says the crown corporation will help P.E.I. "Build sustainable economic prosperity for

our... Island community."

Traditionally, economic self-sufficiency on the Island referred to fishing and farming, particularly potato farming which accounts for half of all farm cash receipts. Together, these economic sectors remain the backbone of the Island economy, with farming worth \$400 million (or 15 per cent of P.E.I.'s gross domestic product) and fishing worth \$140 million annually. The fishery alone employs 9,500 people. But things are changing, and quickly. If the government is right, future economic prosperity depends upon diversification away from the sectors that have historically sustained Islanders and shaped their collective personality.

Through the government's innovation strategy (Island Prosperity: A Focus for Change), Innovation PEI is supporting the growth of four key economic sectors: aerospace, bioscience, information technology and renewable energy. The plan includes an investment of \$200 million in these sectors over a five year period from April 2009 to March 2014. Half of that will go towards what the strategy refers to as "innovation".

In addition to tax incentives, this part of the strategy includes three funds. The Pilot Fund will support high risk-ventures. The Discovery and Development Fund will assist with research, development and commercialization. And the Prototype Fund is designed to move promising ideas towards commercialization as quickly as possible.

Another \$60 million is earmarked for economic infrastructure and will, among other things, guarantee universal broadband internet service across the Island, modernize high school labs and offer training and research into renewable energy, especially on the western side of the Island where the potential for wind generated electricity is greatest. A good chunk of economic infrastructure funding will go toward the construction (already under way) of the PEI BioCommons Research Park and Business Accelerator near Charlottetown and to support an E-Health Centre of Excellence near Summerside.

Innovation PEI will spend the final \$40 million on human resources by training workers for these sectors, funding graduate and post-doctoral awards and aca-

demographic research chairs and attracting highly skilled immigrants and international students. This in the province that already enjoys the highest immigration rate in the country as a percentage of the total population, at 12.6 per cent.

Of course, no government concerned about re-election would embark on such an ambitious, short-term strategy without a significant certainty of success. One of the reasons the government singled out these particular sectors has something to do with the head start each of them enjoys. Pharmaceuticals, aircraft parts and video

games are already manufactured on the Island, a significant amount of wind energy is already generated. In effect, what the government has done by creating the Prosperity Strategy is to plan for growth in each of four already-entrenched Island economic sectors.

BIOSCIENCE

Take the bioscience sector, the roots of which go back 40 years to a company started by a UPEI professor, Dr. Regis Duffy. Today, the Island's 30 bioscience companies manufacture products like



NRC at UPEI.

medical diagnostic kits, drugs and other health products used in the treatment of diseases including cancer, fish vaccines and specialty oils used as additives in foods and personal care products. These companies enjoy revenues of \$80 million or 1.6 per cent of P.E.I.'s GDP. Companies in the sector are already well integrated into the Island economy, some of them operating out of research facilities like the National Research Council on the UPEI campus, others from facilities in the West Royalty Business Park in Charlottetown and elsewhere on the Island.

In the future, these companies will be partnering more and more with farmers, fishers and others who can provide raw materials, like specific plants for bioscience products. A 55,000-square-foot expansion at the Holland College Centre for Applied Science and Technology (as well as existing facilities at UPEI, the NRC, Agriculture and Agrifood Canada, the PEI Food Technology Centre and Canada's Smartest Kitchen), along with the construction of the new BioCommons will provide both training for workers in the sector and space for locating new companies or expanding existing ones.

Rory Francis, executive director of the PEI BioAlliance, an organization that represents the bioscience sector, says the Island Prosperity strategy and its inclusion of the BioCommons is "a recognition of the work that had been going on through the BioAlliance to grow the cluster." Looking into the future, Francis says, "The sky is the limit. In the next two years, I'd say we'll see a doubling of private sector revenue." In that time period, Francis predicts the sector will add 300 jobs while spending 50 per cent more on research and development. "It's pretty aggressive," he says. "But we have to move with that kind of urgency because there are other places in the world making big investments. We're going to have to think big and move quickly."



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RENEWABLE ENERGY

Outside the bioscience sector, renewable energy has the most potential for real growth as a result of the Prosperity Strategy. At the time the Strategy was put in place, wind farms accounted for 18 per cent of P.E.I.'s electrical needs, the highest percentage of any jurisdiction in North America. The strategy is shooting for 33 per cent or 500 megawatts (enough to power 200,000 homes) by 2013.

The PEI government recently published "Island Wind Energy, Securing Our Future: The 10 Point Plan." In his forward to the plan, Premier Robert Ghiz calls the prospects for wind energy "the single largest development opportunity since the

construction of the Confederation Bridge. It is a \$1-billion development project with ongoing economic benefits estimated at \$40 million annually." That \$40 million represents less than one per cent of the Island's GDP, but the benefits to the Island and its economy reach far beyond direct revenues. The construction phase will create 850 jobs, provide \$218 million in local construction spending and \$16.5 million in construction tax revenue.

The government claims that by building this 10-point plan, it is "securing the future" because "developers will know the ground rules so that a fair and open process can ensue." As wind energy replaces electricity generated through the burning of fossil fuels, P.E.I. will move ever closer to energy security and independence while stabilizing prices. Furthermore, the plan predicts that, eventually, "the majority of wind energy generated in the province will be exported."

The City of Summerside, the only Island community to run its own electric utility, is at the forefront of this development. In 2007, Summerside signed on with a private wind energy company to supply 23 per cent of its electrical needs. The city itself installed four wind turbines, meet-

ing a further 25 per cent of its needs and making it Canada's first city-owned wind farm. At times of low usage and high winds, Summerside will offer electrical storage capacity to residents. In addition, the city plans to build a system of power outlets for electric vehicles. "Wind provides rates that are lower than fossil fuel but it also provides a way to keep the energy dollars in the community," says Terry Murphy, chief administrative officer with the City of Summerside. "We hope to be able to market our city as running on 100 per cent green energy at least 40 per cent of the time."

On a provincial level, the government has promised to lower power rates by 14 per cent. "Our five-year energy strategy will reduce power rates and stabilize prices bringing benefits to Island families, seniors, business and commercial users," says Premier Ghiz. The new rates take effect in March 2011 and will remain for at least two years. In addition, the province plans to lay a new cable to New Brunswick for a more reliable source of electricity, much of which will come from the Point Lepreau nuclear reactor, which the government includes in its renewable energy strategy.

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Slemon Park, PEI.

AEROSPACE

Nine aerospace companies employ 800 people at Slemon Park, a former Canadian military base near Summerside. With annual sales over \$355 million, representing seven per cent of Island GDP, the sector is already the fourth largest on the Island. Innovation PEI proclaims of the 1,500-acre site: "The redirection of Slemon Park can be proudly described as one of the best re-deployments of any closed Canadian military base."

On site, the 40 commercial tenants have access to an airport with an 8,000 foot runway, hangars from 25,000 to 300,000

square feet, on-site training as well as residential, recreational and food services. Holland College Aerospace Technology Centre, the University of PEI and the Atlantic Welding and Metal Fabrication Institute all offer standard and tailored programs to train workers for current tenants including Honeywell, Testori, Tronos, Vector Aerospace and Wiebel Aerospace. A company like Tronos could call on the strategy to assist with development and marketing of its new 3,000-gallon Airtanker, which made its first trial drop along the north shore late in 2009.

Still, this may be one sector that will have difficulty responding to the government's strategy for growth. Companies at the park already receive a full provincial income tax rebate, a full real property tax rebate and a sales tax rebate. Going forward, park management is looking for ways to expand beyond attracting aerospace tenants. In a new development phase, the governing corporation put 13 lots on 90 acres up for sale, two of which have sold and are now being developed. Some of the lots are suitable for retail and commercial development while others are ready for light industrial development.

INFORMATION TECHNOLOGY

Both the Atlantic Technology Centre in Charlottetown and the Holman Centre in Summerside lead the information technology sector with constructed or modified office space that serves as business incubators — the ATC for new media and the Holman Centre for e-health businesses. Neither is full. Carestream Health, a multinational specializing in dental and medical imaging, employs 60 people at the Holman Centre where it carries out product development and application of its voice activated radiology information system. RMDDx develops medical devices and medical information technology like remote patient monitoring, while Enable Healthcare Inc. delivers a web-based electronic health record system.

Seven video game makers now operate in P.E.I. — some of them at ATC — and are well represented as an information technology subsector by The Interactive Media Alliance (IMA) of PEI and The Innovation and Technology Association of PEI. The province already has in place an economic development strategy called Gameplan to encourage growth. Companies like Ocean Interactive, Sculpin QA and Bight already develop games



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and apps for the iPhone, Wii, PC and other platforms. Two provincial programs, GameForce and GameGarage, offer high school students opportunities to learn about and create their own electronic games.

IMA president Chris Sharpley says: "Anything that assists local employers and helps them compete with larger employers from other parts of the world is a good thing. Programs that allow them to subsidize their employees, develop marketing strategies, attend trade shows, allow us to compete." Currently an instructor at Holland College, Sharpley himself moved from the U.K. to P.E.I. in 2006. He saw a recruitment ad from Other Oceans and attended a trade show in Edinburgh. He credits forward-thinking Island policies for the company's attendance at the trade show, its presence in P.E.I. and his employment with them. Headquartered in San Francisco since 2007, where Sharpley says many business deals are cut, Other Ocean has grown from zero to 50 employees in Charlottetown and has expanded to Newfoundland. "The plan is that Holland College and UPEI will deliver the kind of employees the industry needs," says Sharpley. He cites a locally-trained workforce, tax incentives (P.E.I. offers a 30 per cent labour-based rebate to 2014), salary subsidies and assistance attending trade shows like E3 (the Electronic Entertainment Expo) in Los Angeles and the Tokyo gaming show as the support the gaming sub-sector needs to prosper.

Tax incentives, incubator properties, salary subsidies and other government inducements aside, there is one factor above all that will determine the success or failure of P.E.I.'s Prosperity Strategy. When it comes to attracting existing companies or starting new ones, here's how Ron Keefe, president of the pharmaceutical company BioVectra, puts it: "They will not come here and start something. They might after the cluster has been more developed. Novartis came here because there was something already in existence. Because of their ability and size, they expanded that business." Keefe adds: "Ultimately, the driver has to be the private sector. Governments can set policies and assist, but the private sector is going to have to step up." IABM



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