

**Developing Northern Alberta:
Northern Challenges, Assets and Opportunities
A Discussion Paper**



**Prepared by the
Northern Alberta Development Council
July 2009**

EXECUTIVE SUMMARY: *Developing Northern Alberta*

The province of Alberta is currently facing a serious financial crisis and a massive economic downturn. During the past period of unprecedented growth in the province, the northern region made a significant contribution to the rest of Alberta, and Canada's economy. A secure, sustainable and prosperous northern economy provides a high-quality of life for all Albertans. Without the strong economic base that northern industries can potentially provide, individual communities may find themselves struggling to support the social and fiscal demands that are placed on them. A healthy northern economy, social development and sustainable environment practices are essential if the north is to expand its contribution in revenues to governments, and provide employment opportunities to southern Alberta and the rest of Canada.

What needs to be done to ensure that industry and businesses in the Northern Alberta Development Council (NADC) region are poised to lead the province, and the country, into eventual recovery and to come out of this downturn in a stronger position than before the downturn?

This paper reviews the importance of the northern economy and actions to be undertaken by the Northern Alberta Development Council to address priorities identified by northern business and community leaders.

CONTRIBUTION OF THE NORTH

The development of northern Alberta's abundant resources is driving economic growth and development in the province and Canada. With only nine per cent of the provincial population, the per capita contribution of the NADC region far exceeds that of the rest of Alberta.

Northern Alberta contributed directly to "more than **\$8 billion** in 2007-08, almost 24 per cent of the total revenues of the Alberta Government," and "more than 39 [per cent] of Alberta Government revenues from non-renewable resource revenues for the same period."¹ A total of "**\$31 billion** worth of northern goods and services accounted for almost 35 [per cent] of Alberta's international exports in 2007, and **\$31 billion** of capital investment in the NADC region in 2008 represented 32 [per cent] of the Alberta's total."

The total economic contribution of the north is even greater if the employment, value-added processing and investment taking place outside the region, as a result of the development of northern resources, are taken into account.

ADVICE FROM NORTHERN STAKEHOLDERS

In early 2009, the Northern Alberta Development Council (NADC) consulted with northern businesses and industries to determine the needs of operators in northern Alberta during the economic downturn. Through a survey, the NADC asked for their thoughts on the overall role of the provincial government during this time, challenges they face from specific industry perspectives, suggested actions to counter these challenges, and who should be responsible for implementing these actions.

¹ GTS Group International Inc, Analysis of the Economic Contribution of the Northern Alberta Development Council Region to Alberta and Canada, May 2009, pi-ii.

In addition to the survey, the NADC hosted its triennial Challenge North Conference bringing together leaders from communities, business, industry, government and Aboriginal organizations to discuss the future of northern Alberta. Key challenges, issues and potential strategies were recorded during working group sessions, where conference delegates were asked to examine two scenarios and discuss implications for northern Alberta's future.

This paper highlights sector specific challenges and priorities that were raised, and actions that the NADC will take to promote the development of a stronger northern economy.

CONTEXT

As a result of the current economic situation, the future is uncertain. Alberta may quickly return to a high growth economy, but it cannot be assumed that this will occur. Given the difficulty in predicting the future, adaptability has become extremely important. It is difficult to fully respond to questions relating to the current economic situation, until further information and analysis is available. However, to successfully implement policies that will make northern Alberta stronger, post-recession, there is a need to think about what has happened and the implications of global circumstances, particularly regarding our main trading partner, the United States.

Statistical And Economic Overview

A common theme discussed by commentators is that this downturn began by the misuse of subprime loans in the U.S. housing market. There are however, many other contributing factors. Most of these factors have very little to do with northern Alberta's economy directly, but the resulting negative impact on financial institutions and other regions has in turn reduced the economic growth rate in Alberta. Alberta is truly connected to the global market.

Although Alberta was well protected from many of the causes of the financial crisis, investment in Alberta, particularly in oil projects, was significantly impacted because of uncertainty of the economic collapse. Forestry was already negatively affected from tariff rates, the rise of the Canadian dollar and a decline in demand.

It's Not All Doom And Gloom

The following is a statistical and economic review of factors and indicators that point to the strengths and weaknesses of northern Alberta's economy. While the tremendous economic activity in the north has decreased due to the economic downturn, it is anticipated that the main sectors will resume their growth.²

<p>Mining, Oil and Gas: Alberta's oil sands are the second largest petroleum reserves in the world. Extraction in mining and oil and gas remains the major employer. Over the next 10 years, of the \$100 billion proposed investment in oil sands, \$80 billion is continuing with \$20 billion put on hold. Work on many of the proposed upgraders has slowed or has been placed on hold.</p>
--

<p>Pipelines: The pipeline industry is forecasted to grow with over \$7 billion in investments over the next ten years.</p>
--

<p>Utilities: The electrical power generation and transmission sector is an area of growth with \$3.4 billion in investments for the next ten years which is up from \$2.3 billion in the beginning of 2008.</p>

² Finance and Enterprise, Major Alberta Projects

Infrastructure: Planned investment in infrastructure is over \$3.9 billion for the next ten years.
Forestry: Several mills have closed or are running at a reduced capacity due to the global economic down turn.
Agriculture: Currently there are \$25 million in investments in agriculture and \$187 million being invested in bio fuels over the next ten years.
Tourism: Investment in tourism and recreation is over \$415 million over the next 10 years.
Institutional: Over the next 10 years there will be an investment of over \$1.4 billion in the institutional sector, encompassing health, education and religious/ethnic facilities

Employment

The unemployment rate for Canada for the current downturn is still well below that of previous recessions as shown in the table below.

Table 1: Canadian Unemployment Rates in Recent Recessions

Recession Period	Unemployment Rate
December 1982	13.0% ³
November 1992	12.1% ⁶
March 2009	7.7% ⁴

In northern Alberta, a general downward trend of unemployment has occurred since 1987 from over 10 per cent to slightly above four per cent. This data may not reflect the full impact of transient workers entering or leaving the region.⁵

Gross Domestic Product and Exports

Since 1995, Alberta's GDP has steadily risen with a corresponding rise in exports. This rise in exports was assisted by the declining Canadian dollar, compared to the American dollar between 1991 and 2003.⁶ Our currency may be becoming more reflective of the value of our resources and their production. This will assist in purchasing imports, but if oil increases substantially, the Canadian dollar may also increase, reducing the competitiveness of Alberta's exports and decreasing provincial revenues.

It should be noted that exports continued to rise from 2003 to 2007, in spite of the rise in the Canadian dollar compared to the American dollar in the same period. Oil, gas and petrochemicals make up the bulk of our exports. The impact of oil exports may be reflected in the steep rise in exports from 2007 to 2008.

The dependence on exports to the United States is the Achilles' heel of the Alberta economy.⁷ Alberta could experience significant declines in its economy, if the American economy does not recover for a long period of time. The other countries that currently import substantially smaller amounts of Alberta's exports may be receptive to additional exports.

³ National Post, March 4, 2009, FP1

⁴ Statistics Canada, Latest Release From the Labour Force Survey, March 13, 2009, www.statcan.gc.ca

⁵ See page 6, main report for full details.

⁶ See page 6, Chart 3, main report for full details.

⁷ See page 6, Charts 2, 4 & 5, main report for full details.

THEMES AND CHALLENGES

Survey of Key Industry and Business Contacts

Respondents were asked to highlight and rank key challenges facing their businesses and industries. Specific comments and concerns were recorded and grouped into the following categories.

Regulations

Survey respondents from all sectors were concerned about regulations from all levels of government, federal, provincial and municipal. Generally, there is a widespread perception of a lack of adequate consultation of those being regulated; duplication and excessive regulation; complaints on how regulations are being implemented and enforced, and a general dissatisfaction with numerous consultation meetings with no decisions being made. This lack of action is holding up potential investment.

Communications

Communications issues raised were partially related to regulations, but also to other aspects of governance. Comments included the need for better communication, greater promotion and awareness of Alberta's policies, and the lack of involvement by government in some sectors.

Infrastructure

Northern industry and business leaders generally support the government's direction of investing in infrastructure that is needed, particularly if it can be built at lower cost than what could be done in previous years.

Utility Availability and Costs

Utility issues were raised but more work would have to be carried out to identify the nature, frequency and location of these issues. Electric power, internet, cell phone service and possibly phone installation may be the primary issues.

Financing

Many respondents commented about their business' financial difficulties in accessing capital but also discussed federal and provincial financial management. There is support for borrowing at low interest rates for building needed infrastructure, but also some apprehension of going back into long-term debt. There is strong opposition to bailouts of big business.

Transportation

Respondents commented about the need for better infrastructure development and transportation system to markets, as well as support for greater access to the Edmonton Municipal Airport.

Land Availability

Access to land, land use management and municipal practices were raised. Alberta's recently released Land Use Framework may address a number of these issues.

Global Forces and Export Issues

Global forces were raised as a concern by all sectors. Forestry and agriculture ranked export issues as a priority, however, there is widespread interest in market development.

Climate Change

Only conventional oil and gas identified climate change as being an issue of importance.

Access to Services, Housing and Human Resources

The lack of services, housing and human resources were ranked as important, but currently are not a priority for many respondents.

Other Challenges

Workforce development, better coordination in planning and the need to address negative perceptions of development continue to be challenges. Less frequently raised items included the price of fuel, the lack of tourism facilities and related infrastructure. Succession planning for small businesses was a concern in some sectors.

Policy Advice

Survey respondents identified opportunities for innovation, diversification of products and markets, infrastructure development, policy changes, training, and quality of life needs.

2009 Challenge North Conference

More than 200 participants attended the 2009 Challenge North Conference, representing industry, government, health, education, social, Aboriginal and small business sectors. Representation of northern communities was broad with significant representation of the municipal sector.

Participants at the conference were divided into small discussion groups comprised of representatives from the different geographic areas and sectors. They discussed the following questions in relation to two scenarios about possible futures for northern Alberta: ***Firing on All Cylinders and Diverging Paths*** (summarized next page).

- *What is the key message that this scenario evokes?*
- *What is one risk to be avoided, one challenge to be overcome and one opportunity to pursue in this scenario?*
- *Knowing that none of us can entirely control or create the future, but that we can influence the future, what must be done to avoid risks, overcome challenges, and pursue opportunities?*
- *What are the strategic priorities to strengthen the economy, environment, and quality of life that conference participants and the NADC should support?*
- *What specific actions (who and what) can conference participants undertake to support those strategic priorities?*
- *What key messages about the future of Northern Alberta do you want the NADC to bring to the Alberta government?*

Firing on All Cylinders: Adaptive direction/ Dynamic region

Northern Alberta... 2015

The region is very successful and one of the most competitive in the world. Alberta is recognized for its protection of the environment while balancing economic and social needs. The economy is doing well with its traditional sectors of agriculture, forestry, oil and gas; and successful measures to diversify the economy have also created stability. Small businesses are successful in leveraging local value-added opportunities. Communities are managing change, not just surviving it. Albertans recognize the importance of the north to the province. Aboriginal peoples are an integral part of the dynamic development of the region. In recent years, Alberta has been able to rapidly adapt to changing global economic challenges and opportunities, though there is a sense of unease that more must be done to ensure continued prosperity.

Diverging Paths: Aimless direction/ Dynamic region

Northern Alberta... 2015

The current state of northern Alberta is full of stark opposites. Many parts of the economy are booming and the economic future looks bright in the near term. Opportunities abound for entrepreneurial spirits wanting to build on their dreams. Serious concern about significant long-term environmental damage looms ever more strongly and technological changes could have serious economic impacts on traditional industries. Alberta's industries are maturing and may be susceptible to competition from more innovative jurisdictions. The stresses on some communities and residents are enormous and services just can't keep up with the growing demand. While the squeaky wheels are getting some grease, many areas and services are suffering and causing residents to wonder about what happened to their quality of life. They fear that the diverging paths of northern Alberta will cause it to spiral out of control.

Responses were grouped under the following categories to begin developing action plans.

- Support municipal networking, leadership, knowledge, collaboration and communication
- Municipal funding formulas
- Multi-sector-interdisciplinary networking, participation and action
- Economic development
- Transportation and infrastructure
- Education
- Energy
- Housing
- Health

LOOKING AHEAD

Many of the concerns raised by survey respondents and Challenge North participants can be addressed through existing initiatives. These include projects such as working with stakeholders to address transportation priorities, housing, skill development, retention and recruitment, and tourism initiatives.

New Directions

Three new initiatives being undertaken by the NADC during this fiscal year to address additional priority challenges and opportunities are:

1. Work with northern Alberta elected leaders to address municipal concerns.
2. Initiate new directions as proposed for economic development and energy.
3. Council will review next steps pending background reports regarding health care access and municipal infrastructure requirements.

Conclusion

The Northern Alberta Development Council thanks everyone who contributed to this paper. Within this economic crisis there are also opportunities. The NADC is committed to developing a stronger economy through continued partnerships with northern stakeholders and organizations. The Council urges others to work together to consider collaborative projects that will maximize benefits to our northern economy.

Developing Northern Alberta: Northern Challenges, Assets and Opportunities A Discussion Paper

EXECUTIVE SUMMARY	i - viii
-------------------------	----------

TABLE OF CONTENTS

INTRODUCTION	2
BACKGROUND	
The Northern Alberta Development Council (NADC)	2
NADC Mission and Mandate	3
Methodology	3
Survey of Key Business and Industry Leaders.....	3
Challenge North 2009	3
Contribution of Northern Alberta	3
CONTEXT	
Where Are We Now? How Did We Get Here?	5
Statistical Review	5
Economic Review	9
Northern Alberta Growth Sectors	12
Factors to Consider	13
The Relationship between Uncertainty and Investment	13
The Relationship with our Key Trading Partner.....	13
Lessons from the Past: Success and Failures	14
NORTHERN CONCERNS, CHALLENGES, OPPORTUNITIES AND PRIORITIES	
Northern Business and Industry	15
Survey Methodology.....	15
Summary of Challenges	16
Advice from Industry and Business Leaders	19
Challenge North 2009: Lead the Way	24
The Scenario Process	24
Advice from Challenge North 2009 Participants.....	27
LOOKING AHEAD	
Assumptions	29
Current NADC Projects	29
New Directions.....	30
APPENDIX	
Survey Questions for Industry and Business Leaders	33
Regulation Concerns	35
Responses to Question 7.....	36
Responses to Question 8.....	42
Scenarios	45

Developing Northern Alberta Northern Challenges, Assets and Opportunities A Discussion Paper

INTRODUCTION

Alberta is currently facing a serious financial crisis and a massive economic downturn. During the past period of unprecedented growth in Alberta, the northern region made significant economic contributions to the province. A secure, sustainable and prosperous northern economy provides a high quality of life for all Albertans. Without the strong economic base that northern industries can potentially provide, individual communities may not be able to support the social and fiscal demands placed upon them. A healthy northern economy, social development and sustainable environment practice are essential, if the north is to expand its contribution in revenues to governments and provide employment opportunities to southern Alberta and the rest of Canada.

What needs to be done to ensure that industry and businesses in the Northern Alberta Development Council (NADC) region are poised to lead the province, and the country, into eventual recovery and to come out of this downturn in a stronger position than before the downturn?

This paper outlines Northern Alberta Development Council's (NADC), actions being undertaken in response to priorities identified by northern business and community leaders on how to address this question.

BACKGROUND

THE NORTHERN ALBERTA DEVELOPMENT COUNCIL

The Northern Alberta Development Council is a regional development council with a focus on advancing the development of the northern economy. The council is a reporting entity of the Ministry of Finance and Enterprise.

The NADC consists of nine public members and one elected Member of the Legislative Assembly (MLA) of Alberta. Council appointments reflect the geographic, cultural and vocational diversity of northern communities. The Council is chaired by Mr. Robin Campbell, MLA for West Yellowhead. The current public members are:

Mr. Brian Allen, Grimshaw
Ms Sharon Anderson, Gift Lake
Ms Iris Callioux, Peace River
Mr. Andre Harpe, Valhalla Centre
Mr. David Kirschner, Fort McMurray

Mr. Joseph Layton, Bonnyville
Mr. Andy Neigel, Athabasca
Mr. Pat O'Neill, St. Paul
Mr. Willard Strebchuk, Whitecourt

NADC Mission and Mandate

The mission of the NADC is to advance northern development through developing and implementing regional strategies and initiatives in partnership with the private sector, community-based organizations, industry, other jurisdictions and ministries.

The mandate of the NADC, as set out in the Northern Alberta Development Council Act, is to "investigate, monitor, evaluate, plan and promote practical measures to foster and advance general development in northern Alberta and to advise the Government accordingly."

METHODOLOGY

The NADC engages northern stakeholders to identify and address northern socio-economic priorities and increase the awareness of significant issues facing the north as well as promote northern development opportunities for the benefit of all Albertans. As part of this engagement process the NADC surveyed key northern industries and businesses in March 2009, conducted regional meetings and held its triennial Challenge North Conference in April 2009.

Survey of Key Northern Business and Industry Leaders

This survey had two purposes:

1. Examine the needs of businesses in northern Alberta during the economic downturn; and,
2. Initiate discussion on how the provincial government can ensure that northern industry is poised to lead the province, and the country, into the eventual recovery.

Respondents were also asked for their thoughts on the overall role of the provincial government during this time of economic uncertainty. The following report examines the individual responses to the survey questions, suggestions for actions to counter identified challenges, and who should be responsible for implementing actions.

Challenge North 2009

The 2009 Challenge North Conference, held April 22 to 24 in Cold Lake, brought together more than 200 participants from communities, business, industry, government and organizations to discuss the future of northern Alberta. Representation of northern communities was broad, with significant representation of the municipal sector. This paper discusses the key challenges, issues and potential strategies which were recorded during working group sessions. Conference delegates were asked to examine two scenarios and discuss implications for northern Alberta's future.

CONTRIBUTION OF NORTHERN ALBERTA

Northern Alberta's abundant resources are driving economic growth and development in the province and Canada. Increasing awareness of the region's significant contribution to the economy is important to encourage collaborative efforts to ensure that all Albertans continue to benefit from this dynamic source of provincial wealth. Alberta's north is a resource-rich region that generates billions of dollars in export earnings and government revenues, and supports a significant amount of value-added activity and investment outside the region. The Northern Alberta Development Council region encompasses 60 per cent of Alberta's landmass and is home to approximately 321,000 people. With only 9 per cent of the provincial population, the per capita contribution of the NADC region far exceeds that of the rest of Alberta.

Government Revenues:⁸

- Northern Alberta contributed more than **\$8 billion** directly to Alberta government revenues in 2007-08, or almost 24 per cent of the total revenues of the Alberta government. This amount is more than 39 per cent of Alberta government revenues from non-renewable resource revenues for the same period.
- The region contributed **\$4 billion** to the Government of Canada. This was 12 per cent of the total amount of revenue to Canada from Alberta.

Exports

- **\$31 billion** worth of northern goods and services accounted for almost 35 per cent of Alberta's international goods exports in 2005.

Capital Investment

- **\$31 billion** of capital investment in the NADC region in 2008, 32 per cent of Alberta's total.
- **\$74 billion** was invested in the NADC region between 1997 to 2007, , for the construction of oilsands plants. This created a demand in materials and supplies of \$48 billion in Alberta, \$7 billion in the rest of Canada and \$18 billion in foreign countries.
- **\$42 billion** was spent on materials and supplies for operations of oilsands from 1997-2007. This created a demand of \$34 billion in Alberta, \$2 billion in the rest of Canada and \$6 billion in foreign countries.

These statistics do not include the total employment, investment, and revenues to government generated by economic activity occurring outside of the region in support of the development and operation of processing plants, such as engineering, administration and upgrading of northern resource products.

⁸ GTS Group International Inc, Analysis of the Economic Contribution of the Northern Alberta Development Council Region to Alberta and Canada, May 2009, pi-ii.

CONTEXT

WHERE ARE WE NOW? HOW DID WE GET HERE?

A comprehensive analysis of the current situation may not be possible until sometime in the future when more information is available. However, there is a need to consider the implications of what has happened, particularly regarding Alberta's main trading partner, the United States, in the development of a framework that will make northern Alberta stronger. The following is a statistical and economic review of factors and indicators that point to strengths and weaknesses in northern Alberta's economy.

Statistical Review

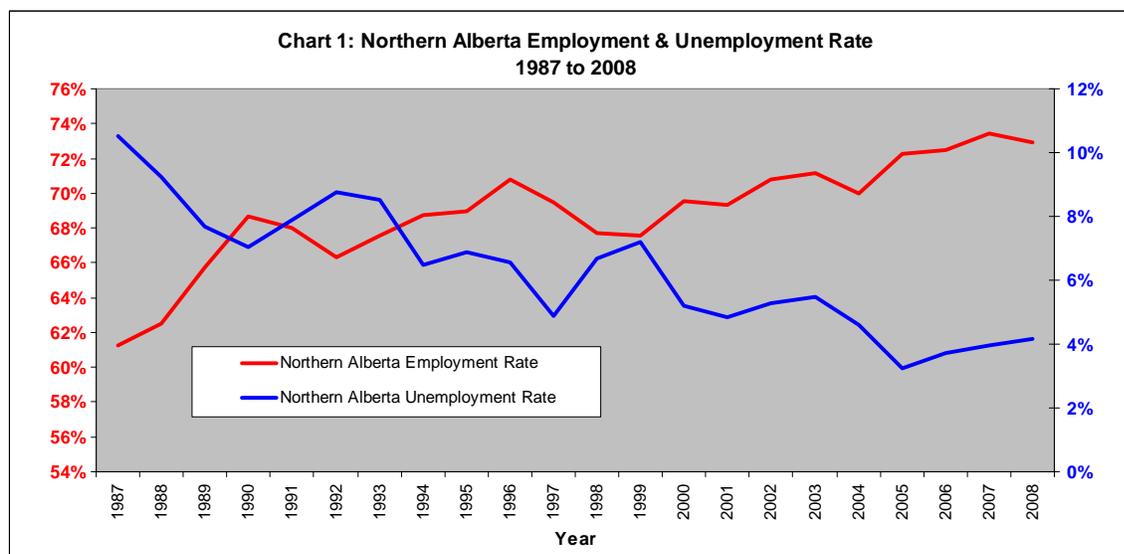
Employment

The unemployment rate for Canada during the current downturn is still well below that of previous recessions as shown in Table 1 below.

Table 1: Canadian Unemployment rates in Recent Recessions

Recession Period	Unemployment Rate
December 1982	13% ⁹
November 1992	12.1% ²
March 2009	7.7% ¹⁰

The following chart shows a general downward trend of unemployment in northern Alberta since 1987 from over 10 per cent to slightly above four per cent in March 2009.



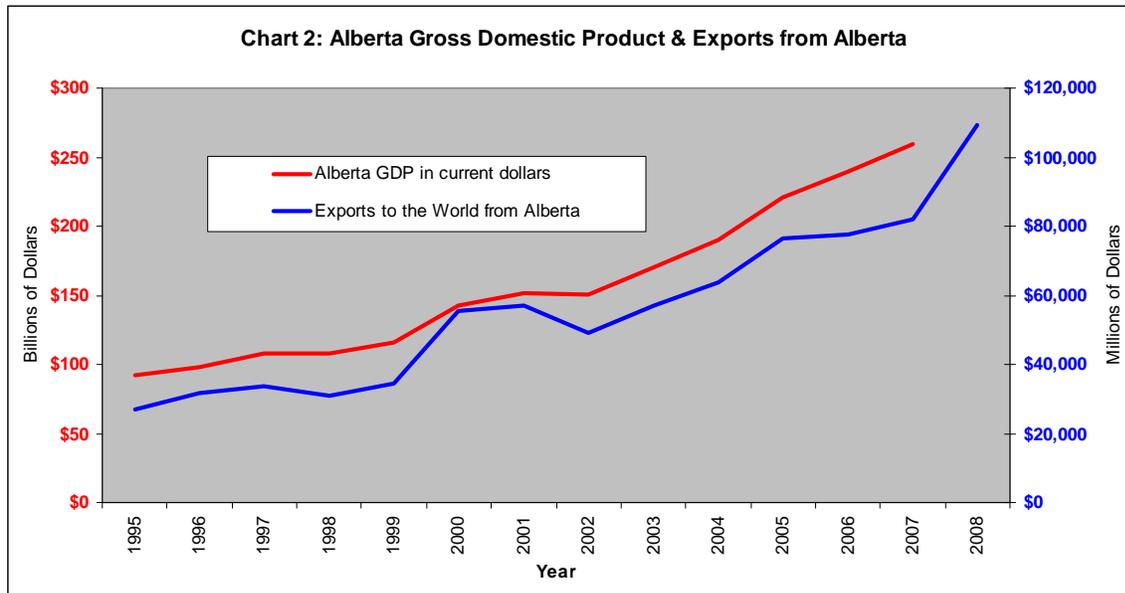
Source: Alberta Employment and Immigration, Office of Statistics and Information

⁹ National Post, March 4, 2009, FP1

¹⁰ Statistics Canada, Latest Release From the Labour Force Survey, March 13, 2009, www.statcan.gc.ca

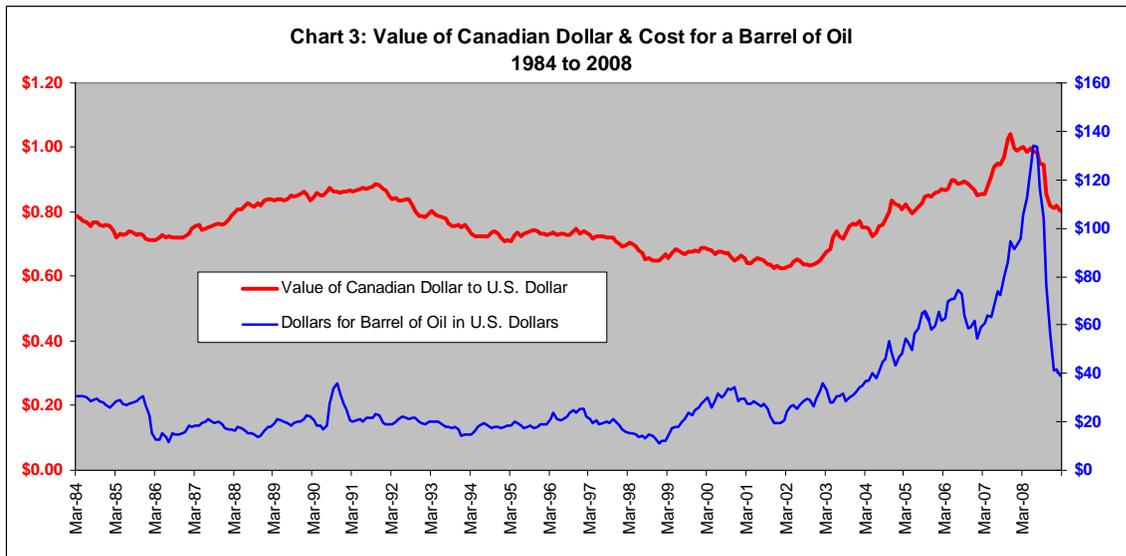
Gross Domestic Product and Canadian Dollar

The following charts illustrate that not only is our economy dependent on exports; our total export value was able to increase in spite of the rise of the Canadian dollar. Chart 2 shows the Gross Domestic Product (GDP), for Alberta compared to exports from Alberta.



Source: Alberta Finance and Enterprise; "Canadian Economic Observer" Feb. 2009

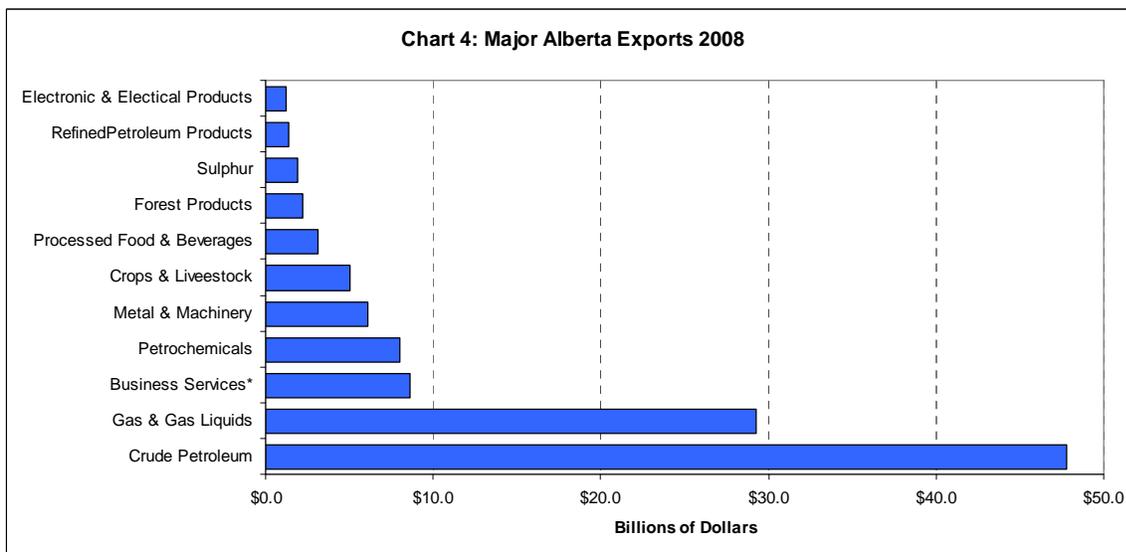
Since 1995, Alberta's GDP has steadily increased with a corresponding rise in exports. This rise in exports was assisted by the declining Canadian dollar compared to the American dollar between 1991 and 2003, illustrated in Chart 3. It should be noted that exports continued to rise from 2003 to 2007, in spite of the rise in the Canadian dollar in the same period. The impact of oil exports may be reflected in the steep rise in exports from 2007 to 2008. We do not have data for GDP for 2008 or for northern Alberta, but it is likely that there has been a decline.



Source: U.S. Government Energy Information Administration; Mundi Commodity Index; FX History Foreign Exchange Database

The Achilles' Heel of Alberta

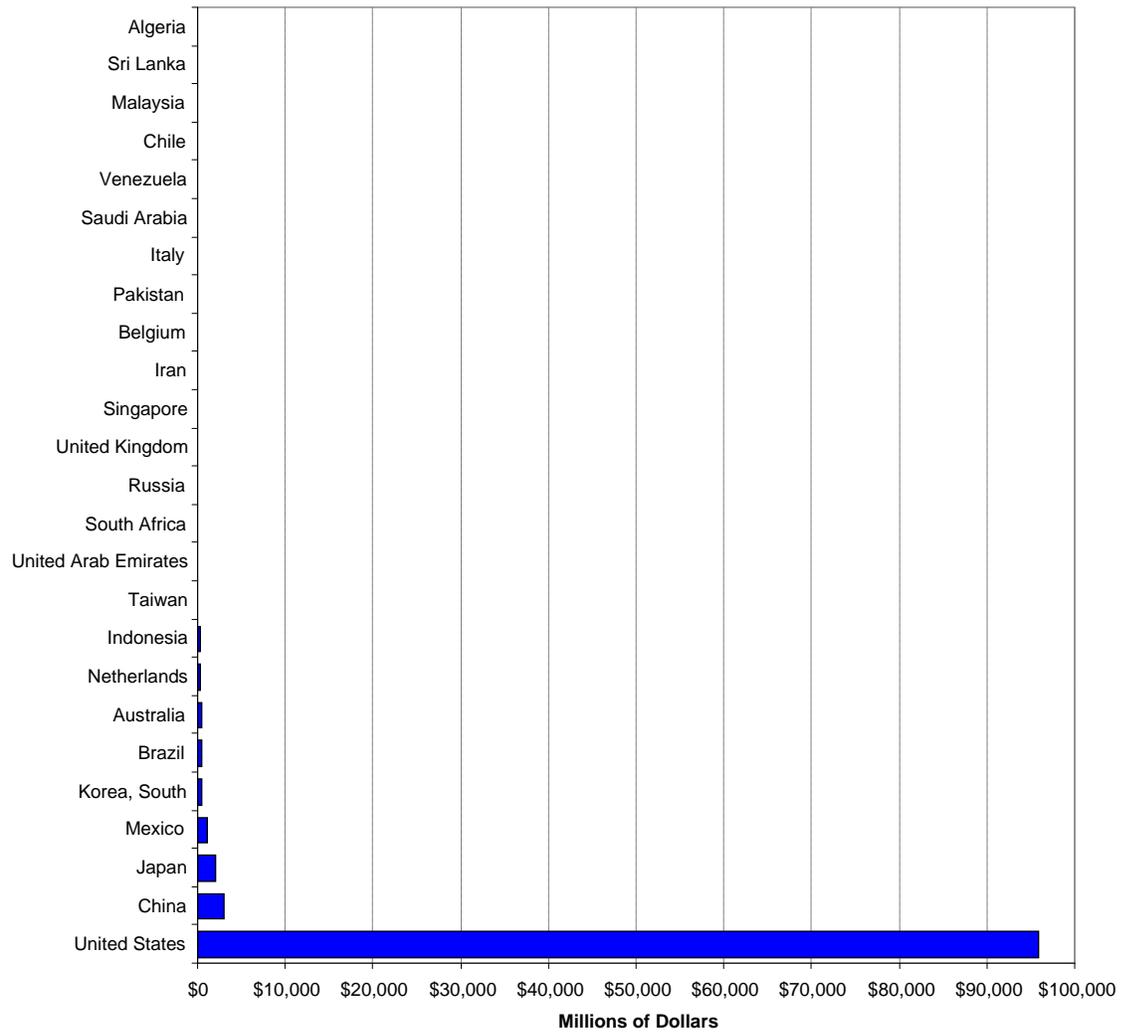
Alberta could experience significant declines in the economy if the American economy does not recover for a long period of time and/or if prices of petroleum products remain low. Chart 4 illustrates that oil, gas and petrochemicals make up the bulk of our exports. Charts 5 and 6 illustrate the distribution of our exports. The dependence on petroleum products, combined with the significant percentage of exports to the United States, is the Achilles' heel of the Alberta economy. Other countries, noted in Chart 6, may be receptive to additional exports from Alberta.

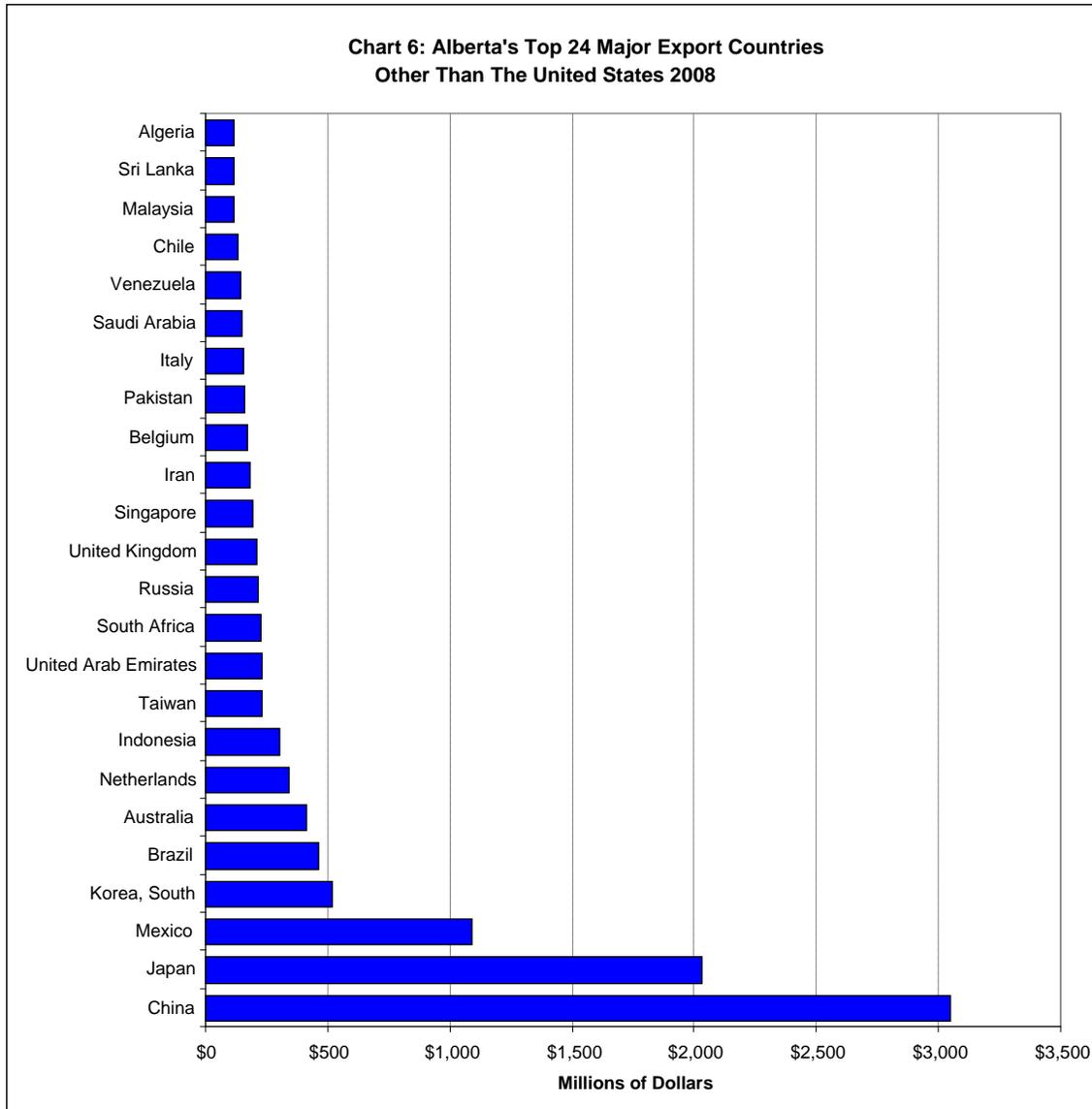


Source: Alberta Finance and Enterprise, Highlights of the Alberta Economy, March 2009

* 2007 estimate

Chart 5: Alberta's Top 25 Major Export Countries 2008





Source: Alberta Finance and Enterprise; Statistics Canada

Economic Review

A common theme by commentators is that the current economic downturn began with the misuse of subprime loans in the U.S. housing market. There are however, many other contributing factors. Most of these factors have very little to do with northern Alberta's economy directly, but the resulting negative impact on financial institutions and other regions has in turn reduced the economic growth rate in Alberta. Alberta is truly connected to the global market.

Background

Although Alberta was well protected from many of the causes of the financial crisis, it is still useful to review some of the factors that lead up to this situation to learn from the mistakes, as well as assess strengths and weaknesses. Contributing factors to this financial and economic crisis include:

- The U.S. government and financial institutions made a series of decisions regarding low interest rates, market short-selling, governance and regulation of financial institutions. American financial institutions provided low interest rates to encourage people to purchase a house who could otherwise not afford one. Lending institutions did not properly ensure that their loan applicants could meet rising interest rates and then passed the risk on to other institutions and investors through opaque packaging of collective loans that did not reflect their real risk.
- Many home buyers could not meet financial obligations once interest rates increased. American consumers, financial institutions and their governments had a high debt load which exacerbated the impact of defaults on mortgages.
- Investors and financial institutions that held these packages became concerned when mortgage defaults began to occur. This led to a lack of confidence in the viability of financial institutions because investors could not determine the value of the loan packages and their risk of loss for mortgage defaults. This in turn led to a withdrawal of funds from financial institutions, and a reduced access to credit.
- The upheaval in the financial markets expanded to the general economy as investors developed an overall lack of confidence in the financial system. When access to credit was reduced, businesses could not get operating loans or renew their loans and the economic downturn began.
- Fortunately, most Canadian financial institutions had minimal exposure to these loan packages and therefore have been better able to withstand the financial collapse in comparison to American, European and Asian institutions. Canadians, however, have not been able to avoid the impact of a decline of the general economy.
- The rapid drop in commodity prices particularly oil, the glut of houses in the American market, and the lack of access to debt financing has severely affected Alberta's economy.

Economic Forecasts

- The International Monetary Fund stated that “Global economic activity is falling – with advanced economies registering their sharpest declines in the postwar era - notwithstanding forceful policy efforts... before recovering gradually in the course of 2010.”¹¹
- The Bank of Canada issued a press release on March 3, 2009 stating that since the Bank's January Monetary Report, the outlook for the global economy has continued to deteriorate with weaker than expected activity in major economies. “The nature of the U.S. recession, with very weak auto and housing sectors, is particularly challenging for Canada. Stabilization of the global financial system remains a precondition for the global and Canadian recoveries.... Potential delays in stabilizing the global financial system, along with larger-than-anticipated confidence and wealth effects on domestic demand could mean that the output gap (actual compared to potential) will not begin to close until early 2010.”¹²
- ATB Financial reported that the year to year Alberta inflation rate rose in February from 1.2 to 2.1 per cent, only Saskatchewan was higher. They noted that Canada's inflation rate was higher (1.4 per cent) than expected (1 per cent) and concluded that the stimulus packages may be having an impact on stopping deflation. “It is an indication that underlying domestic demand is not collapsing in the wake of job losses and the epic global recession and the province may avoid any sort of deflationary spiral. There is still no doubt that Alberta GDP is

¹¹ International Monetary Fund, Group of Twenty, Meeting of the Ministers and Central Bank Governors, March 13-14, 2009, London, U.K., Global Economic Policies and Prospects, page 3, www.imf.org

¹² Bank of Canada; Press Release, Bank of Canada lowers overnight rate target by ½ percentage point to ½ per cent, March 3, 2009, www.bank-banque-canada.ca.

likely to contract during 2009, but the situation may not be as dire as it is sometimes feels from reading all the gloomy news reports.”¹³

- A recent Canadian Federation of Independent Business’ survey shows that Alberta business owners are the most pessimistic in Canada and the results are the lowest ever recorded for any province since the association began tracking expectations on a quarterly basis nine years ago.¹⁴
- The Calgary Herald reported that the Canadian Association of Oil Well Drilling Contractors cut its activity forecast 22 per cent from its outlook in October and will drill about one-third less wells than last year.¹⁵
- The Edmonton Journal reported that the Alberta Forest Products Association was hopeful of a recovery in late 2009 or early 2010.¹⁶
- The Globe and Mail quoted David Dodge, the former Bank of Canada Governor saying that “Even if everything is done right, full recovery might not happen until 2011 or beyond. While there should be a global rebound beginning in 2010, it is likely to be considerably slower than in previous times, and it’s going to be well into 2011, 2012 and 2013 before we see the level of output and the rates of growth return to something approaching capacity...It’s not that governments are doing anything wrong,... just that ‘this is going to take time and we should all . . . be prepared for a longer haul.”¹⁷
- The following Credit Suisse chart supports the view that this could be a long term situation. Besides subprime loans, Americans must refinance adjustable rate mortgages and other loans at a time when unemployment and interest rates may be higher than when their previous loan was negotiated.

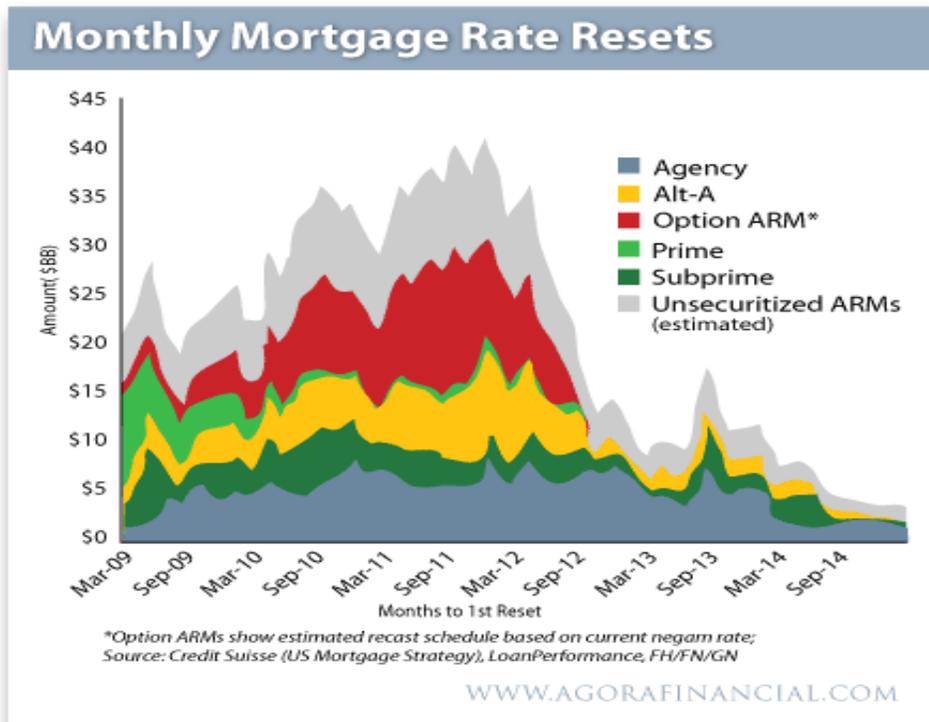
¹³ Sumner, Dan; Daily Economic Comment, ATB Financial, March 19, 2009, www.atb.com

¹⁴ Dina O’Meara, Calgary Herald, Alberta Business owners in a funk; Province becomes most pessimistic in the Country, P.E3, March 26, 2003.

¹⁵ Lisa Schmidt, Calgary Herald, Alberta drillers cutting staff, spending as activity drops; Wages pulled back as fewer rigs working, pD4, Feb 21, 2009.

¹⁶ Edmonton Journal, Alberta Forest industry counting on turnaround in late ’09, pF1, March 26, 2009.

¹⁷ Richard Blackwell, Globe and Mail, Global fix will take years, Dodge cautions; pB5, March 25, 2009.



Northern Alberta Growth Sectors¹⁸

While the tremendous economic activity in the north has decreased due to the economic downturn, it is anticipated that the main sectors will resume their growth in northern Alberta.

- **Mining and Oil and Gas:** Alberta's oil sands are the second largest petroleum reserves in the world. Extraction in mining and oil and gas remains the major employer. Over the next 10 years, of the \$100 billion proposed investment in oil sands, \$80 billion is continuing with \$20 billion put on hold. Work on many of the upgraders proposed has slowed or have been placed on hold.
- **Pipelines:** The pipeline industry continues to grow with over \$7 billion in investments over the next ten years.
- **Infrastructure:** Planned investment in infrastructure is over \$3.9 billion for the next ten years.
- **Utilities:** The electrical power generation and transmission sector is an area of growth with \$3.4 billion in investments for the next ten years which is up from \$2.3 billion in the beginning of 2008.
- **Forestry:** Several mills have closed or are running at a reduced capacity due to the global economic down turn.
- **Agriculture:** Currently there are \$25 million in investments in agriculture and \$187 million being invested in bio fuels over the next ten years.
- **Tourism:** Investment in tourism and recreation is over \$415 million over the next 10 years.
- **Institutional:** Over the next 10 years there will be an investment over \$1.4 billion in the institutional sector, encompassing health, education and religious/ethnic facilities.

¹⁸ Finance and Enterprise, Major Alberta Projects, Jan 2009

FACTORS TO CONSIDER

The following three key factors must be considered in reacting to the context of our current situation.

The Relationship between Uncertainty and Investment

Investment cannot tolerate high uncertainty. There is great uncertainty and a general lack of confidence in the financial markets and the economy. This situation is still evolving. Some decisions outside of Alberta are being made on the fly, hoping that stability will be re-established. We cannot predict with any real degree of certainty future economic and financial conditions. There are mixed forces at play, including pressures of deflation and inflation. The rapid unravelling of the financial and economic systems and huge resulting worldwide losses has created considerable fear in investing. Investors are asking:

- When will the price of oil rise? When will the economy improve?
- Is this a short recession, a deep one or is this a depression?
- Is this downturn largely due to a lack of not enforcing existing regulations and sound financial practices; or is this a symptom of a possible pending impact of much larger emerging factors? For example, is this the beginning of a major restructuring of markets due to economies and societies moving from production and lifestyles based on access to inexpensive energy? Are the current events just the leading edge of a much larger shift in wealth and production?
- Will stimulus packages actually be delivered in time to make a difference or will they be largely implemented at a time when the economy is recovering, thus exacerbating growth rates causing inflation?
- Will the international stimulation of printing money lead to high inflation and unmanageable national debt?
- What will the exchange rate be for the Canadian dollar over the next few years?
- Will businesses get access to needed credit?
- What are the long-term implications of company bailouts?

The Relationship with Our Key Trading Partner

The impact of uncertainty on investment is compounded by our dependency on petroleum products and other exports to the U.S.

- Alberta exports to the U.S. are worth \$95 billion. However, the U.S. has a housing glut; a serious mortgage default rate; a high overall debt load of consumers, financial institutions and all levels of government; a declining economy; and a trade deficit.
- A significant component of our key trading partner's economy (i.e. the American consumer) had too much credit that could not be sustained. The excess debt must be worked through their system and this will take time. This is particularly true for the American housing market. A significant portion of northern Alberta's forestry production was exported to the U.S. because of the demand created and based on their unsustainable use of credit (e.g. dimension lumber for housing).
- Attempts to encourage the American consumer to resume spending by extending more credit may not stimulate demand for Canadian products particularly if the downturn gets deeper and lasts several years. There is some evidence that the saving rate by Americans has already increased, thus reducing their consumption rates. The Federal Deposit Insurance Corporation (USA) reported that as of June 2008 deposits in federally insured

institutions increased by 4.8 per cent compared to 3.9 per cent in 2007.¹⁹ In March 2009 FDIC confirmed that insured deposits increased by 8.9 per cent from March 31, 2008 to March 31, 2009.²⁰

- There is an increasing level of negative American media releases criticizing “dirty oil” from Alberta. Although they need our oil at least for the near term, American markets for our oil may not be as secure in the future.
- The increased liquidity (government printing more money), being provided by Americans and national debt could eventually cause a decline in value of the American dollar. The Canadian dollar, will also likely rise if the price for oil were to increase and Canadian banks and other businesses rebound faster than those in the United States. This will put pressure on Canadian exports to the United States and reduce government revenues.

Lessons from the Past: Successes and Failures

No one can predict with certainty what is going to happen in the financial markets or when the economy will recover, however, we can look at history as an indicator of what might happen.

In the 1930s, there were various make-work programs and “New Deals” which had varying degrees of success. The programs helped build needed infrastructure and to some degree foster increased social stability. But, they may have also delayed the recovery because of the allocation of resources (i.e. the public tax dollar).

Observations

- Governments can only do so much to try to turn an economy around.
- There is a consensus that short term investment in long-term infrastructure should be helpful, but caution should be exercised in building in long-term deficits in budgets.
- Excess credit has to be taken out of the system, savings must increase particularly by Americans, and poorly run companies have to either improve or fail.
- If a recession/depression is severe, widespread restructuring must occur before the economy can recover. This will cause tremendous loss in some sectors, but the astute and adaptable will survive and come out of the recession stronger than before.
- Alberta and Canada are in an enviable position to ride out this economic chaos.

¹⁹ FIDC Quarterly, 2008, Vol 2, No. 4, p1.

²⁰ FIDC Quarterly, 2009, Vol3, No.1.

NORTHERN CONCERNS, CHALLENGES AND PRIORITIES

NORTHERN BUSINESS AND INDUSTRY

The Northern Alberta Development Council (NADC) consulted with northern businesses and industries to determine the needs of operators in northern Alberta during the economic downturn. The NADC asked for their thoughts on:

- the overall role of the Provincial government during this time,
- challenges they face from specific industry perspectives,
- suggested actions to counter these challenges; and
- who should be responsible for implementing these actions.

Survey Methodology

The questionnaire is included in the appendix. The results of individual responses are combined in this paper.

Respondents' comments provide an overview of responses of business and industry. Although it provides an adequate base to make some observations, as well as identify some items to consider for follow up, one should be cautious about arriving at definitive conclusions from the results of this survey. Follow up actions will incorporate further discussions with key stakeholders regarding the challenges, opportunities, solutions and actions they raised.

Contacts

Sector	Number of Responses	Total Attempted to Contact
Agriculture	5	15
Construction	10	20
Finance and Real Estate	4	5
Forestry	3	7
Manufacturing	4	5
Oil Sands	1	5
Conventional Oil and Gas	22	24
Retail	8	11
Tourism	17	22
Total:	74	114

Observations

- No sector had complete consensus on what should be done. Individual characteristics of companies may have influenced how respondents ranked items. This includes the strength of their balance sheet, growth rate of their company, market strength or desperation for any possible solution that might address their problems.
- This lack of agreement within some sectors makes it difficult to make proposals for action focusing on individual sectors.
- Some responses took a very broad viewpoint, while others looked only at their company or sector and their immediate needs.

Summary of Challenges

Respondents were asked to rank the level of challenge each of the following factors present to their industry. A scale of one to 10 was used, with ten being strongly agree.

- ___ Utility availability and/or cost (electric power, gas, internet)
- ___ Lack of Infrastructure
- ___ Land availability
- ___ Small/medium business succession
- ___ Export issues
- ___ Global forces
- ___ Climate change
- ___ Lack of services, quality of life etc. for employees and families
- ___ Lack of access to debt financing
- ___ Lack of access to investment capital
- Transportation ___ Road ___ Air ___ Rail
- Labour issues: ___ Training ___ Recruitment ___ Retention
- ___ Immigration ___ Employee Housing
- Regulations: ___ Federal ___ Provincial ___ Municipal

Table 3 (page 18), lists the items that the individual sectors ranked higher than seven. The table shows that the aggregated averages of responses for all sectors for the above items were ranked from five to seven, with no particular item ranked unusually high or low. The median number (the middle number), was included as there were great differences in the ranking of the items within individual sectors. In some cases some sector results were skewed by one or two respondents that had a very opposing view of that of the majority. For example, the conventional oil and gas sector ranking range varies from three to 10 for the idea to improve business financing. The tourism sector gave a range varying from one to 10 for developing new markets.

Items that were ranked nine or 10 were highlighted as possible areas for future follow up. This does not negate the importance of other areas that require attention that the respondents raised, or other priorities raised from input from other sectors.

Table 3: Aggregated Results for Challenges Ranked 7 or Higher

Sector (sample size)	Utility Availability	Lack of Infrastructure	Land Availability	Small/Med. Business Succession	Export Issues	Global Forces	Climate Change	Lack of Services	Lack of Debt Financing	Lack of Investment Capital	Road	Air	Rail	Training	Recruitment	Retention	Immigration	Employee Housing	Federal	Provincial	Municipal	
CONSTRUCTION (10)																						
Sector Average	7		7	9		8	7	7	8	7	8	7	7	7					7			
Sector Median	7	7	7	9		8	8	7	10	8	9	8	8	7			7			8		
RETAIL (8)																						
Sector Average	7	7	7					7	8	7				7	7					7	7	
Sector Median	8	6	7		7			7	7	8	8			7	7	7				7	7	
FORESTRY (3)																						
Sector Average	8	8		9	9			9	9	8		9	7	8	8					7		
Sector Median	8	8		9	9			7	10	10	8		9		9	9		7		7		
MANUFACTURING (4)																						
Sector Average				7	8			7	7					7	8	7					8	
Sector Median	7			7	9			8	7					7	7	8					8	
FINANCIAL AND REALTY (4)																						
Sector Average					9		9	8	9		8			9	8				7	7	7	
Sector Median			7		9		9	10	9	8	8		7	10	9				7	9	8	
TOURISM (17)																						
Sector Average		8	7	7										7	7			7		7		
Sector Median		9	8	7	7				7			8		7	7			8	7	7		
OIL SANDS (1)																						
Sector Average											8	10	7	8		8	7	7				
Sector Median											8	10	7	8		8	7	7				
AGRICULTURE (5)																						
Sector Average	8	7	7	7	8		7			7		9	7	8	8	8	8	8	8	8	8	
Sector Median	9	8		8	8					8	7	8	8	8	8	8	8	8	8	7	8	8
CONVENTIONAL OIL & GAS (19)																						
Sector Average			7		8	7								7							7	
Sector Median			8		8	8								7	7					7	8	7
Total Average	6	6	6	6	5	7	6	6	6	6	5	6	7	7	7	7	5	6	6	7	6	
Total Median	6	6	5	7	5	8	6	6	7	7	6	5	6	7	7	7	5	6	6	7	6	

Common Themes of Challenges

The following summarizes specific comments and concerns identified in survey results.

Regulations

Survey respondents from all sectors were concerned about regulations from all levels of government, federal, provincial and municipal. Generally, there is a widespread perception of a lack of adequate consultation of those being regulated, duplication and excessive regulation, complaints on how regulations are being implemented and enforced, as well as a general dissatisfaction with numerous consultation meetings with no decisions being made. This lack of action is holding up potential investment.

Communications

Communications issues raised were partially related to regulations, but also to other aspects of governance. Comments included the need for better communication, greater promotion and awareness of Alberta's policies, and the lack of involvement by government in some sectors.

Infrastructure

Northern industry and business leaders generally support the government's direction of investing in infrastructure that is needed, particularly if it can be built at lower cost than what could be done in previous years.

Utility Availability and Costs

Utility issues were raised but more work would have to be carried out to identify the nature, frequency and location of these issues. Electric power, internet, cell phone service and possibly phone installation may be the primary issues.

Financing

Many respondents commented about their business' financial difficulties in accessing capital but also discussed federal and provincial financial management. There is support for borrowing at low interest rates for building needed infrastructure, but also some apprehension of going back into long-term debt. There is strong opposition to bailouts of big business.

Transportation

Respondents commented about the need for better infrastructure development and transportation system to markets, as well as support for greater access to the Edmonton Municipal Airport.

Land Availability:

Access to land, land use management and municipal practices were raised. Alberta's recently released Land Use Framework may address a number of these issues.

Global Forces and Export Issues

Global forces were raised as a concern by all sectors. Forestry and agriculture ranked export issues as a priority, however, there is widespread interest in market development as shown in the next section on business assistance.

Climate Change

Only conventional oil and gas identified climate change as being an issue of importance let alone as being a high priority. This may indicate a need to get business leaders thinking about climate change, implications of potential policy changes, particularly from the United States, and the need to get ready to adapt to change.

Access to Services, Housing and Human Resources

The lack of services, housing and human resources were ranked as important, but currently are not a priority for many respondents. The lack of services was ranked high by the financial and realty sectors. Quality of life issues were raised by a number of respondents. Concerns over access to health and education services were raised partially as to how they relate to recruitment and retention. All sectors ranked recruitment and retention as important but few ranked them as high priorities. Only the oil sands and agriculture sectors ranked immigration as important but neither ranked this as a high priority. Five sectors ranked housing as important but none ranked it as a high priority

Other Challenges

Workforce development, better coordination in planning and the need to address negative perceptions of development continue to be challenges. Less frequently raised items included the price of fuel, and the lack of tourism facilities and related infrastructure. Succession planning for small businesses and agriculture was a concern.

Advice from Industry and Business Leaders

Business Assistance

Survey respondents were asked, "In your opinion, on a scale of one to 10 with 10 being you strongly agree; the provincial government should place greater emphasis on:"

- a. Research to develop new products
- b. Research to develop value added products
- c. Developing new markets
- d. Assisting in implementing innovative processes
- e. Improving business financing
- d. Small business support

Observations

Given the limited numbers of respondents and the large differences in representation by some sectors, one should be cautious about arriving at definitive conclusions from the results for this question. The following are some observations and potential suggestions for areas of follow up.

- Table 4 (page 21), shows there is no real differentiation between the total combined averages of the sectors for the six items. Some respondents ranked items very low, which reduced the sector's average on the items.
- The construction, retail, financial and realty, tourism, and agriculture sectors ranked all items seven or higher.
- Forestry and conventional oil and gas ranked only two items higher than seven and each seem to be taking a different approach to address their challenges. Forestry priorities were developing new markets and improving business financing. Conventional oil and gas emphasized research to develop value added products and implementing innovative processes.

- Respondent comments brought several themes to light. These themes will be forwarded to NADC members for further discussion...
 - There were comments on the need to support small businesses, the number of people that they employ and the large potential for growth.
 - There are companies in each sector that appear willing to explore new directions and there might be sufficient common interests between these sectors that could facilitate collaboration.
 - Given the significant resources that exist, including local Chambers of Commerce, municipal, provincial and federal programs, there still appears to be a disconnect between service providers and industry and business regarding the awareness and uptake of what the service providers offer, differences in objectives and lack of awareness of existing opportunities. It is possible that each of these service organizations is providing a niche service to business but there needs to be greater collaboration and coordination in the north.

Table 4: Industry and Business Assistance

Sector (sample size)	Research to develop new products	Research to develop value added products	Developing new markets	Assisting in implementing innovative processes	Improving business financing	Small business support
CONSTRUCTION (10)						
<i>Sector Average</i>	8.0	9.00	8.80	8.70	7.50	8.00
Sector Median	9.00	10.00	8.50	9.00	7.50	8.00
RETAIL (8)						
<i>Sector Average</i>	7.25	7.25	7.13	7.25	7.50	7.75
Sector Median	7.00	7.00	8.00	7.50	7.50	8.00
FORESTRY (3)						
<i>Sector Average</i>	6.33	6.67	9.00	6.67	9.00	8.33
Sector Median	7.00	6.00	10.00	7.00	10.00	9.00
MANUFACTURING (4)						
<i>Sector Average</i>	6.75	7.00	7.50	8.50	7.25	7.25
Sector Median	7.00	7.50	7.50	8.50	7.00	7.50
FINANCIAL AND REALTY (4)						
<i>Sector Average</i>	9.00	9.67	9.33	10.00	8.67	9.00
Sector Median	10.00	10.00	10.00	10.00	9.00	9.50
TOURISM (17)						
<i>Sector Average</i>	7.47	7.29	7.06	7.06	7.00	7.76
Sector Median	8.00	8.00	7.00	7.00	8.00	8.00
OIL SANDS (1)						
<i>Sector Average</i>	8.00	8.00	7.00	7.00	6.00	7.00
Sector Median	8.00	8.00	7.00	7.00	6.00	7.00
AGRICULTURE (5)						
<i>Sector Average</i>	7.60	8.20	8.20	7.40	7.20	7.40
Sector Median	8.00	9.00	10.00	8.00	7.00	7.00
CONVENTIONAL OIL AND GAS (19)						
<i>Sector Average</i>	6.00	7.00	6.94	7.33	6.44	6.76
Sector Median	6.00	7.00	7.50	7.50	7.50	8.00
<i>Total Average</i>	7.26	7.59	7.58	7.61	7.16	7.58
Total Median	8.00	8.00	8.00	8.00	7.75	8.00

Opportunities

Survey respondents were asked, “What economic opportunities should be encouraged? How? and Who should do it?” Opportunities that were identified were largely those having to do with innovation, diversification of product and markets, infrastructure, policy changes, government financial management, training, and quality of life needs.

Survey Respondents’ Comments on Actions and General Principles

Diversification

- Develop global access to markets. This will become more important if other countries become more protectionist.
- Develop attractions for manufacturing industries and start finishing our own products here.
- Streamline regulation. Small business can provide a huge opportunity as long as there are no roadblocks.
- Encourage more value-added development of the beef industry by producers.
- Encourage agri-value, green/alternative energies. The north has the opportunity to be leaders in all of these with appropriate governmental support.
- The province needs to invest in value-added processes and green energy.
- Develop new energy sources, such as nuclear, wind and hydro. Develop more support industries for the oil industry, forestry and agriculture, such as manufacturing.
- Government should encourage processing and refining of petroleum products within the province, instead of building pipelines to export it out.
- The provincial government should take an equity position in building one or two upgraders and once they have paid their way, get out of it with their money.
- Explore recycling opportunities. Alberta Environment’s mandate should be changed to enhance recycling and waste management and work on these initiatives.
- Develop agriculture to make it a vibrant and competitive sector, while promoting exports through easy access to markets. The federal government has to work with the province and farmers.
- Focus on further development of existing resources. Diversify through developing value-added products. There should be clear directions in resolving regulatory issues and incentive for development opportunities provided through various sectors and the government.
- Existing economic activity needs to be advanced by industry, communities, and all levels of government to enable incremental growth so that repercussions could be absorbed easily. Industry, community and government should work to build Aboriginal business capacity by providing training on how to bid on projects.
- All levels of government and industry need to work together with clear communication to develop junior producers in order to improve the fiscal climate. Junior producers need easy access to investment. This can be facilitated by lessening royalties and taxes for them.
- Develop further downstream activities (refineries), and infrastructure, while making access to capital easier.

Policy

- Increase competition among utility providers.
- The province should push forward the development of a nuclear power plant.
- Develop joint land development projects between the province and municipalities (annexation of land).

- Province and municipalities must develop programs that will help us to be more competitive.
- Government needs to win back the competitiveness of Alberta, with industry's help. Government actions should include consultation, infrastructure development, and royalty reviews.

Infrastructure

- Create opportunities for meaningful infrastructure jobs.
- Infrastructure spending is more valuable to the economy and general job seeking public than bailouts.
- Invest in infrastructure that will provide return in the long run (i.e. hydro). Lower cost right now for future long term benefits.
- Capitalize on infrastructure opportunities relating to water management and electric power. Plans should be in place to preserve water through hydro electric dams holding water supplies.

Tourism Product Development and Marketing

- Many respondents advocated for better tourism product development and promotion.
- Aboriginal culture should be part of tourism product curriculum in post secondary Aboriginal institutions. This maybe could be done by Blue Quills and Travel Alberta.

Technology, Innovation and Research

- Technology improvements must be made for carbon capture and to address tailing ponds.
- We need more education and innovation in the north.
- Increase the production of oil and gas by developing new technologies for oil and gas recovery through the private sector with government support.
- Develop alternative sources of energy through research and incentives. Government should partner with private sector on this. The private sector should be the lead.

Quality of Life Issues

- Government should emphasize projects that increase the quality of life in northern Alberta.
- The price of oil has made costs in the north especially daunting.

Education and Training

- There should be no cuts to education (high school and post secondary). We will need a quality trained labour force in 4-5 years. We must make decisions now for when we are busy again.
- Skill development of labour has to be adapted to changing needs. Governments need to invest in training at all education levels (elementary and up), to build interest in the trades.
- Need better training/understanding around cumulative effects and reducing environmental footprint particularly for pipelines, utilities corridors and land reclamation practices.

Other Comments

The Appendix includes other detailed comments on:

- Do you have specific suggestions on what the government should or should not do regarding the recession and recovery? and
- Are there any comments that you would like the Northern Alberta Development Council forward to the Minister regarding the current recession and related policies?

CHALLENGE NORTH 2009: Lead the Way

In addition to the survey of northern business and industry leaders, the NADC hosted its triennial Challenge North Conference bringing together more than 200 leaders from communities, business, industry, government and organizations to discuss the future of northern Alberta. Key challenges, issues and potential strategies were recorded during working group sessions where conference delegates were asked to examine two scenarios and discuss the implications for northern Alberta's future.

The Scenario Process

Focus Group Input

During 2008, the NADC conducted a survey and held focus groups in Lac La Biche, Valleyview, and High Level with participants invited from a wide range of communities and sectors. The results of this survey and these focus groups were used to develop the scenarios for Challenge North 2009.

What are Scenarios?²¹

Scenarios are short stories about possible futures. They are creative and plausible variations based on clues from today's reality. The many factors that influence our future are complex and uncertain, and scenarios provide a way to structure these uncertainties. Scenarios provide a context for strategic conversations and for strategy and policy development. They also lead to shared understanding and commitment to action.

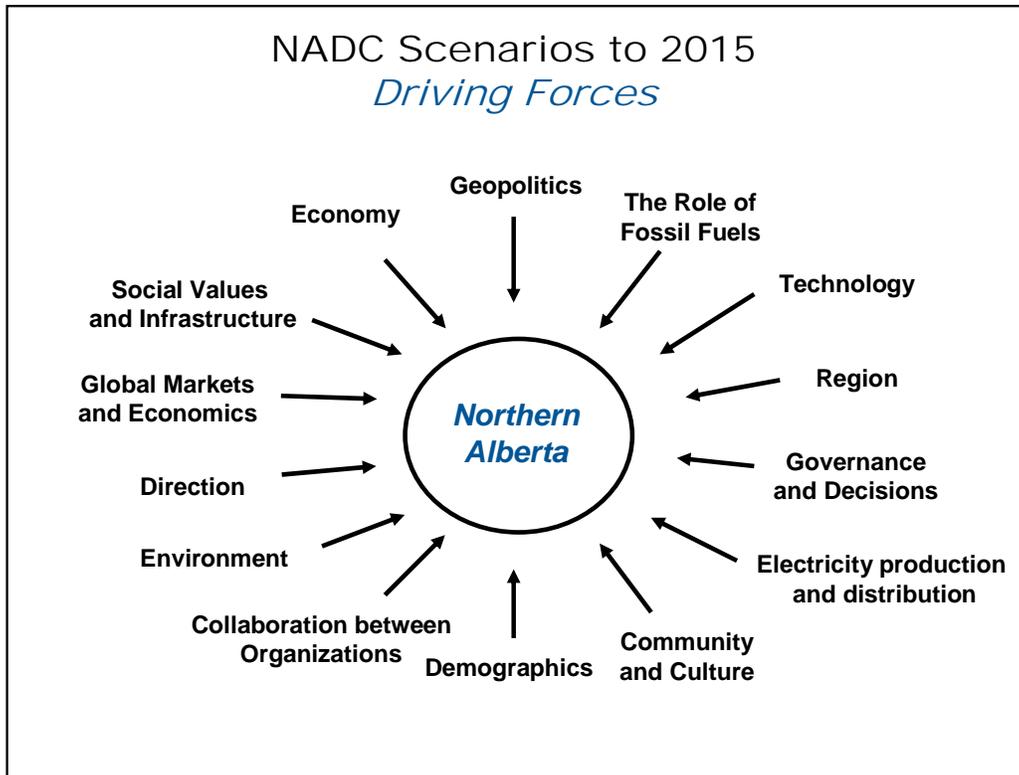
Focal Question

The scenarios were used to initiate discussion and encourage strategic conversations on a focal question: *Looking ahead to 2015, how can we build a strong northern economy, protect the northern environment and provide northerners with a high quality of life?*

A Few Driving Forces

The future will be shaped by many forces, all of which are significant to northern Alberta. Each of the driving forces represents an important dimension of change. Some of these driving forces may shape outcomes that are somewhat predictable, while others are highly uncertain. We may also have a degree of influence on how some driving forces play out and little or no influence on others. The driving forces that have been identified are as follows:

²¹ The information on scenarios is based on: www.scenarios2strategy.com and www.gbn.com.



Critical Uncertainties

Two driving forces having the highest potential impact and greatest uncertainty were identified as critical uncertainties, Direction and Region, and are described below. These uncertainties were used to develop the framework to define distinctly different potential futures for northern Alberta. The uncertainties shaping the future of northern Alberta to 2015 are described as follows:

Direction

Aimless Direction and **Adaptive Direction** refer to the potential leadership and policies developed nationally, provincially and locally that affect northern Alberta. In the scenarios this is reflected in the descriptions of governance, community, demographics and quality of life. **Adaptive Direction** is the ability to change and take advantage of opportunities provided by an evolving environment. **Aimless Direction** is the opposite: an inability to change and take advantage of those opportunities.

Region

Declining Region and **Dynamic Region** refer to the degree that northerners are maximizing the environment, economy, and quality of life objectives of northern Alberta. It refers to the geographic region of northern Alberta and its physical assets, not-for-profits and people. In the scenarios this is highlighted through references to global impacts, environment and economy, and technology and infrastructure. **Dynamic Region** refers to the energy and self-motivation that makes northern Albertans and the region successful. **Declining Region** refers to a region and people that are waning and past prime.

NADC Scenarios

Scenarios reflecting possible futures for northern Alberta looking out to 2015 were created. These scenarios, Firing on All Cylinders and Diverging Paths, were used for the working group discussions and are provided below. Following are summaries of the scenarios. Complete scenarios are in the Appendix.

Firing on All Cylinders: Adaptive direction/ Dynamic region

Northern Alberta... 2015

The region is very successful and one of the most competitive in the world. Alberta is recognized for its protection of the environment while balancing economic and social needs. The economy is doing well with its traditional sectors of agriculture, forestry, oil and gas, and successful measures to diversify the economy have also created stability. Small businesses are successful in leveraging local value-added opportunities. Communities are managing change, not just surviving it. Albertans recognize the importance of the north to the province. Aboriginal peoples are an integral part of the dynamic development of the region. In recent years, Alberta has been able to rapidly adapt to changing global economic challenges and opportunities, though there is a sense of unease that more must be done to ensure continued prosperity.

Blog from northern Alberta

*Hey, just wanted to update you on our plans. We've decided to build a new house. There is so much economic activity in the region – I know I'll have lots of opportunities to grow this business idea I have. Our community is really growing, seems like new people are moving in all the time and the area council is actively working on some great business plans. You know how much I love the outdoors, well there is plenty of nature around here and lots of organized activities to get involved with. It really feels like home here – come visit us!
P.S. We're expecting a new addition to the family!*

Diverging Paths: Aimless direction/ Dynamic region

Northern Alberta... 2015

The current state of northern Alberta is full of stark opposites. Many parts of the economy are booming and the economic future looks bright in the near term. Opportunities abound for entrepreneurial spirits wanting to build on their dreams. Serious concern about significant long-term environmental damage looms ever more strongly and technological changes could have serious economic impacts on traditional industries. Alberta's industries are maturing and may be susceptible to competition from more innovative jurisdictions. The stresses on some communities and residents are enormous and services just can't keep up with the growing demand. While the squeaky wheels are getting some grease, many areas and services are suffering and causing residents to wonder about what happened to their quality of life. They fear that the diverging paths of northern Alberta will cause it to spiral out of control.

Instructions to Challenge North Participants

At the Challenge North Conference, participants reviewed the scenarios and identified how Northern Alberta could change and why. Participants discussed risks, challenges and opportunities. Participants were asked to keep in mind that:

- It is impossible to cover in a scenario process every possible detail of every possible future that may evolve. Multiple scenarios can be developed.

- The scenarios describe two different futures. They are not predictions nor were probabilities of occurring attached.
- Ultimately, the real value of the scenarios is not what is written, but, insights gained from analyzing the risks, challenges, and opportunities surfaced by each scenario. Put another way, the scenarios themselves, while important, are not nearly as important as the strategic conversation they evoke.

Discussion Group Questions

Participants at the conference were divided into small discussion groups comprised of representatives from the different geographic areas and sectors. They discussed the following questions in relation to two scenarios about possible futures of northern Alberta:

- *What is the key message that this scenario evokes?*
- *What is one risk to be avoided, one challenge to be overcome and one opportunity to pursue in this scenario?*
- *Knowing that none of us can entirely control or create the future, but that we can influence the future, what must be done to avoid risks, overcome challenges, and pursue opportunities?*
- *What are the strategic priorities to strengthen the economy, environment, and quality of life that conference participants and the NADC should support?*
- *What specific actions (who and what) can conference participants undertake to support those strategic priorities?*
- *What key messages about the future of northern Alberta do you want the NADC to bring to the Alberta government?*

Advice from Challenge North 2009 Participants

Full details of the conference speakers and results of scenario discussion groups are available in the 2009 Challenge North Conference Proceedings Report.

Scenario 1: Firing on all Cylinders: Adaptive Direction/Dynamic Region

Participants assigned to address this scenario identified the following key priorities:

- There needs to be a balanced approach. Clear goals and objectives must be adaptive and in sync with all stakeholders. Social, health, quality of life, governance, spiritual and cultural needs must be addressed in addition to economic aspects of development. Development must be pursued in balance with environmental capacity and economic sustainability.
- Foresight in the development of infrastructure including transportation, electric power, water treatment, multi-plexes, health and education, and communication facilities is a very high priority. The importance of partnership, cost sharing and acceptable level of access to services is vital.
- There are economic opportunities based on our environmental, social and economic potential which can foster new research and initiatives in environmental technology and land use practices.
- Northern Albertans should work with other northern jurisdictions to lobby for and develop policies appropriate for the northern regions. There needs to be more effective inter-provincial planning and collaboration in transportation and trade.
- Northern funding formulas must be developed to reflect the realities of the north.

Scenario 2: Diverging Paths: Aimless Direction/ Dynamic Region

Participants assigned to discuss this scenario identified the following key priorities:

- There are concerns about the capacity of northern stakeholders to forecast and plan.
- There needs to be a transformation of the way government services are provided in an ever-changing environment to be better prepared to address change. This includes greater emphasis on facilitating inter-municipal cooperation/collaboration to remove duplication and avoid costs.
- Leadership through communities is a must. Strategic partnerships must be formed between governments, business, industry, communities and individuals, to work together cooperatively to identify issues and solutions. This requires support for community facilitation and networking.
- Northerners need to think globally, and there is concern that this is not happening. Greater effort must be made to learn what other regions are doing and apply best practices. Socio-economic ties with other northern jurisdictions should be promoted to champion infrastructure investment in order to reduce our carbon footprint and facilitate more economical transportation of resources.
- The province has to take greater responsibility for leadership and facilitation to increase cooperation and balance. This includes:
 - promoting a more balanced diverse economy taking the environment and quality of life for all citizens into account,
 - promoting stable, growing and healthy communities,
 - revising municipal funding formulas; and,
 - providing expertise to empower communities.

Priorities raised at Challenge North Conference were grouped under the following categories to begin developing action plans:

- Support municipal networking, leadership, knowledge, collaboration and communication
- Municipal funding formulas
- Multi-sector, interdisciplinary networking, participation and action
- Economic development
- Transportation
- Education
- Energy
- Housing
- Health
- Infrastructure

LOOKING AHEAD

What needs to be done to ensure that industry and businesses in the Northern Alberta Development Council (NADC) region are poised to lead the province and the country into eventual recovery and to come out of this downturn in a stronger position than before the downturn?

Northern stakeholders identified some different priority challenges and opportunities that the Northern Alberta Development Council will consider pursuing. Some factors which the Council considers when determining its priorities include:

- What is within the Northern Alberta Development Council's mandate and what role does it have in addressing this very important question?
- Are priority items a widespread northern issue/opportunity?
- Should the NADC take an active lead role in addressing the item or refer it to other groups?
- What is the difficulty of implementing the proposal and what resources does the NADC need?
- Who are the potential partners?
- What are the probabilities of outcomes with big impacts? It might be desirable to have some quick accomplishments with small impacts balanced by more difficult long-term projects that potentially have huge impacts if successful.
- What would success look like?

Assumptions

Economists disagree on what the future holds. Given the difficulty in predicting the future, there is a need to identify possible alternative futures, consider potential strategies and prepare for both positive and negative growth rates. Adaptability is extremely important.

Current NADC Projects

The following are examples of current NADC projects underway in partnership with other stakeholders to address priorities. The NADC will continue to work on these items.

Municipal: The NADC engages northern stakeholders to identify and address northern socio-economic priorities and increase the awareness of significant issues facing the north, as well as, promote northern development. As part of the process, we will continue to work with the Northern Alberta Elected Leaders Group (NAEL) to address municipal concerns for collaboration, capacity building and communication.

Labour: During the rapid growth period there was a scarcity of labour in all sectors throughout the province. Access to trained labour has been an issue particularly in trades when there has been high growth. Even in the downturn, the lack of labour for the northern retail and service sector continues to be an issue. The service sector cannot in most cases compete with the high wages offered by resource industries. The NADC has held workshops every two years to bring together northern professionals in human resources. Another workshop may be held in fall 2010.

Transportation: Northern Alberta covers sixty percent of the province and has nine percent of the population. This creates huge distances between sparse populations within the region making it difficult to provide services. The bulk of northern products are exported and the distance from main markets makes transportation a vital component of the economy. The lack of access to railcar containers, issues regarding service levels by rail, availability of qualified

truck drivers, the need for greater investment in highway infrastructure, and the continued debate over the future of Edmonton City Centre Airport creates further challenges to be addressed..

Housing: Although the current economic climate has eased, affordable housing remains a priority issue for the current and future development of northern Alberta. The lack of affordable housing is a barrier to economic growth and hinders efforts to recruit and retain a workforce required to maintain and grow the northern economy. Communities struggle with providing adequate emergency, transitional and social housing for low-income families, and housing to meet the needs of specific groups such as shadow populations, seniors and people with disabilities. We will continue to work with communities, economic development organizations and housing authorities to address these challenges.

Tourism: The NADC works with regional economic developers and tourism stakeholders to promote northern Alberta tourism. Examples include support for the Deh Cho Travel Connection Group, a circuit tour linking British Columbia, Yukon, Northwest Territories and Alberta. In partnership with northern destination marketing organizations (DMOs) and Travel Alberta the NADC is developing the concept of the Northern Bird Network as a northern tourism attraction initiative.

Economic Development: The NADC will continue to work with organizations such as Branding the Peace and the Alberta Research Council to promote research of the superiority of northern agricultural commodities. NADC is also working with its communities to develop a rural economic development toolkit, to be released in 2009 at an Opportunity Seminar on Economic Development.

Skill Development: The NADC places significant emphasis on skill development. Examples of initiatives include bursaries through the Northern Alberta Development Council Bursary, Northern Student Supplement, and the NADC Bursary for Medical and Pharmacy Students. The NADC promotes and funds the Northern Alberta Health Care Practicum Placement Pilot Program to assist and encourage health care students to take their practicum in the North. In partnership with industry and Northern Lights College, the NADC supports the Woodland Operations Learning Foundation (WOLF), in the development and delivery of woodlands operation training courses. The NADC implemented the Youth Entrepreneurship Program which works with schools and Community Futures to encourage high school students to complete their high school education and to develop business skills. A discussion is underway on the merits of implementing alternatives such as tax incentives or other options to encourage northern enrolment in post secondary education.

Environment: Alberta Environment has approached the NADC to participate in upcoming watershed initiatives and will continue its participation in other cross-ministry and inter-jurisdictional initiatives on climate change and adaption.

New Directions: 2009-2010 NADC Business Plan

A combination of input from our survey, results from the 2009 Challenge North Conference, and feedback from the council have provided insight into other areas NADC needs to focus on. Accordingly, the following are new initiatives being undertaken during this fiscal year.

Economic Development

Similar issues raised by Challenge North Conference participants and by the survey of business and industry leaders included:

- communities, industry and other stakeholders need to work together,
- regulations and the length of time for approval of development proposals need to be streamlined,
- greater emphasis should be placed on developing green initiatives, value added and diversification opportunities,
- promotion of innovation and technology; and,
- enhancing trade.

***Action:** Further consultation with key northern leaders will be undertaken to develop a plan of action to address these issues.*

Energy

A number of groups advocated NADC action on energy development including:

- identifying renewable energy opportunities,
- consumption and conservation,
- generation and distribution of existing systems,
- access to power grids for feeding power into the grids; and,
- the potential for small local power generation systems.

***Action:** Council will review northern electric power needs and challenges; generation options and northern opportunities.*

Health

Concerns were raised that the health system needs to be improved especially around recruitment and retention issues, alternative delivery methods for all types of services due to distance, health services for students with special needs, and mental health services.

***Action:** Prepare a background paper outlining challenges for northern access to health care.*

Infrastructure

Infrastructure and related investment requirements continues to be a major priority. The protection of water sources; and water treatment and distribution were common concerns. Other infrastructure concerns were quality of life issues, such as the need for new and improved education and health care facilities, social housing, and cultural facilities. Concern was raised over funding formulas and the need to upgrade aging infrastructure to meet environmental and other standards.

***Action:** Prepare a background paper outlining anticipated municipal infrastructure investment requirements for water treatment and distribution, waste water management, solid waste disposal, municipal roads, cultural and recreation facilities.*

Appendix

Survey Questions

Group _____ Company _____

1. Please rank each of the following on a scale of one to ten, with ten being you strongly agree, which of the following factors are serious challenges facing your industry.

___ Utility availability and/or cost (electric power, gas, internet)

___ Lack of Infrastructure

___ Land availability

___ Small/medium business succession

___ Export issues

___ Global forces

___ Climate change

___ Lack of services, quality of life etc. for employees and families

___ Lack of access to debt financing

___ Lack of access to investment capital

Transportation

___ Road

___ Air

___ Rail

Labour issues including: ___ Training ___ Recruitment ___
Retention

___ Immigration ___ Employee Housing

Regulations: ___ Federal ___ Provincial ___ Municipal
List regulations _____

Are there any other challenges that were not mentioned (if any)

2. Of all these challenges which three are the most important to your industry? (Please list from highest to lowest).. _____

3. In your opinion are these challenges faced by other Industries? Which industries? _____

—

4. What must be done to address the three most important challenges and who should do it?

5. What economic opportunities should be encouraged? How? and Who should do it?

6. In your opinion, on a scale of one to ten with ten being you strongly agree; the provincial government should place greater emphasis on:

	Strongly Oppose					Strongly Agree				
a. Research to develop new products	1	2	3	4	5	6	7	8	9	10
b. Research to develop value added products	1	2	3	4	5	6	7	8	9	10
c. Developing new markets	1	2	3	4	5	6	7	8	9	10
d. Assisting in implementing innovative processes	1	2	3	4	5	6	7	8	9	10
e. Improving business financing	1	2	3	4	5	6	7	8	9	10
d. Small business support	1	2	3	4	5	6	7	8	9	10

Comments

7. Do you have specific suggestions on what the government should or should not do regarding the recession and recovery?

8. In closing, are there any comments that you would like the Northern Alberta Development Council forward to the Minister regarding the current recession and related policies?

Is there anyone else that you think we should contact?

Respondents were thanked for their input and advised about the upcoming Challenge North Conference.

SURVEY QUESTION 1: REGULATIONS IDENTIFIED AS A CONCERN

A significant portion of the comments referred to concerns about regulations. The following is a list of regulation items specifically raised by survey respondents.

- Prime contractor legislation
- Royalties
- OH&S regulations
- Interprovincial barriers
- Environmental regulations
- Hours of service
- Foreign worker regulations/provincial safety regulations
- Load transportation issues
- Free Trade Agreement
- Tax regulations (machinery/equipment)
- Federal passport regulations
- ATV regulations/registration/enforcement
- Smoking bylaws (including sales)
- Fisheries and Oceans/Alberta Environment water regulations
- Municipal land use developments/approval times/taxes
- Provincial legislation around lake access
- Federal operator licenses, environmental issues
- Federal regulations for abandoned rail, signage
- Federal regulations for transportation of firearms, wildlife
- Aboriginal consultation
- SRD regulations: land access, leasing land,
- Utility and asset management regulations
- ERCB, drilling and completion regulations
- Subdivision and housing regulations
- Oil and gas commissions regulations
- Taxes - residential and non residential
- Bill 19 that will pass with revisions

SURVEY QUESTION 7.

DO YOU HAVE SPECIFIC SUGGESTIONS ON WHAT THE GOVERNMENT SHOULD OR SHOULD NOT DO REGARDING THE RECESSION AND RECOVERY?

Category	Responses
Finance	Construction
	Government should NOT be overspending
	Government should find a way to make capital available, but should not be giving bailouts to companies that created their own misfortune.
	Encourage small business by helping with access to capital/debt financing. Funds should be easier to get, less red tape.
	Retail
	Direct dollars should not go to big business, but to small to medium business. Use incentives to get innovation moving in the north. We should be producing/buying local.
	When prices increase, resources are worth more and should be paid as a percentage of final sale. Prices should not be fixed.
	Forestry
	As with the car manufactures, you can assist in financing, but tax payers should not pay for it. Do what the Ontario government has indicated.
	The province needs to increase the competitiveness and the environment for competition so that we become a destination for new capital, industry, businesses and be top quartile against all other competing jurisdictions.
	Manufacturing
	Do not bailout failing industries.
	Getting an equity position in one or two upgraders with a definite way of getting out of them.
	Should encourage small business and medium business to employ people. Should not be involved in royalties, should have put more focus on understanding business, did not involve the right people.
	If you are going to spend, spend money to help companies become more productive as opposed to spending money on projects that may or may not get results.
	Financial and Realty
	Government should be spending on infrastructure and borrowing while interest rates are low. This will grow the economy, create jobs and take advantage of the low cost of construction and materials.
	Infrastructure plans should go ahead and take advantage of the lower cost of building. As long as projects will affect large numbers of people, they should be completed as planned.
	Not in favour of bailouts for large corporations. Companies do need access to capital at reasonable rates and terms, but they should be made to pay it all back.

Finance Continued	Infrastructure plans should go ahead (i.e. hospitals, roads). We should be taking advantage of the lower cost now.
	Tourism
	Don't overreact. Do not cutback to deal with perceived problems. Be cautious.
	Travel Alberta should keep working on what it is currently doing and not cut back services or funding.
	Recognize tourism as an important industry and support it financially through the levy. Do not cut spending to the sector. Encourage more day trips, more seasonal, historic tours.
	With less money available to most people, we should encourage Albertans to vacation in the province. Don't spend money on promotions in the U.S. or rest of Canada.
	Borrow money to build the infrastructure projects then promote travel in Alberta this summer. Don't cut back, don't panic; get aggressive in building the tourism sector.
	Keep investment consistent with what was being done when the economy was strong. Tourism can provide an economic base during a down turn in economy, develop it.
	Don't short change other parts of the economy like education and health care.
	Oil Sands
	Province should go into deficit and keep spending. Can borrow funds now at a low interest rate and pay off once the price of oil comes back up. Agree with current route the government is taking.
	Agriculture
	I think it is a good time to diversify the economy so that we don't rely so much on the oil industry.
	Premier has a pretty good idea on how to solve it by going into deficit budgets to develop Alberta and keep the workforce in motion.
	I understand why they borrow instead of using the sustainability fund, but I don't know if I agree. The sustainability fund was for this kind of situation, my preference would be for Alberta to stay out of debt.
	Main thing would be to help business get financing. Need operating funds.
	Conventional Oil and Gas
	Alberta needs to open up and explore the Alberta advantage. B.C. has taken it away from us. Need to look into targeted stimulus, however, it's hard to determine where the stimulus should go.
	Should continue to look at the existing royalties on conventional oil and gas.
	Government should not run a mess of debt.

Finance Continued	Don't bailout companies that have bad management practices. Business should correct itself, not with tax dollars. This is an opportunity for small business to grow while poorly managed business dies.
	Royalty relief is a good thing, but not sure if it would change much in the short term. Government should encourage banks to lend to companies if companies are guaranteed that their business pursuits are viable.
	Stop piece meal changes, add-on's, reactive actions and have a long-term vision, look to B.C.
	Should partially fund infrastructure projects, reduce royalties and be lenient with emission and general environmental regulations.
Regulation	Construction
	Ensure that governments have harmonized regulations during the downturn and that we are working together to ensure effective and responsible resource development, so that we can be leaders following the recession.
	Review royalty structure and be able to implement it in a more timely fashion.
	Retail
	Use incoming funds to diversify, not concentrate solely on current problems; ensure regulations allow for creativity; regulations should not slow down the flow of money
	Conventional Oil and as
	Regulate lending rates by providing banks guarantees to encourage their lending.
	Should rethink royalty structure and put it at a rate at which the industry could afford to retain employees and other jobs could be spurred.
	To ensure there is stability and certainty of regulations and all fiscal policies.
	Should partially fund infrastructure projects, reduce royalties and be lenient with emission and general environmental regulations.
Infrastructure	Construction
	Infrastructure and land development should be the number one priority/do not put the brakes on spending.
	Infrastructure and land development should be the number one priority.
	Government needs to be more positive and engaging, especially towards our youth. Need a positive outlook and trust in politics to improve our situation.
	Province should inject cash into infrastructure projects.

Infrastructure Continued	Retail
	Help float the economy through these times by building infrastructure for the coming years; by building infrastructure we can prop our economy up at a lower cost and business will move forward faster and recoup quicker.
	Financial and Realty
	Government should be spending on infrastructure and borrowing while interest rates are low. This will grow the economy, create jobs and take advantage of the low cost of construction and materials.
	Infrastructure plans should go ahead and take advantage of the lower cost of building. As long as projects will affect large numbers of people, they should be completed as planned.
	Infrastructure plans should go ahead (i.e. hospitals, roads). We should be taking advantage of the lower cost now.
	Tourism
	Need to direct economic stimulus into essential infrastructure. Provide only limited bailouts to industry.
	Conventional Oil and Gas
	Should invest in infrastructure improvement and small business development.
	Should partially fund infrastructure projects, reduce royalties and be lenient with emission and general environmental regulations.
Communication	Construction
	Government needs to be sending more positive message.
	Also need improvement on province's communications and distribution of info.
	Retail
	Province needs some positive messaging for Albertans. This will help people have the trust to spend their money locally (i.e. houses). Government also has to look into helping the oil and gas sector recover.
Land Use Planning	Construction
	Infrastructure and land development should be the number one priority. Do not put the brakes on spending.
	Infrastructure and land development should be the number one priority.
	Tourism
	Keep building trails. Do not let abandoned lines go back to the adjacent land owners. Keep for future expansion.
	The Land Use Framework needs to focus on tourism and preserve our wildscapes by limiting urban sprawl and oil patch incursions.

Policy and New Directions	Construction
	Development of new energy sources such as nuclear, wind and hydro, the development of more support industries for the oil industry, forestry and agriculture such as manufacturing
	Retail
	Don't overreact. Set up and train a competent/local workforce. Strive for level growth, not huge increases.
	Use incoming funds to diversify, do not concentrate solely on current problems. Ensure regulations allow for creativity. Regulations should not slow down the flow of money
	Tourism
	Stay the course. Don't panic. The RV industry will not be hurt by the recession, continue with the restructuring of Travel Alberta, which will bring new thinking and a fresh approach.
	Tourism
	Travel Alberta should keep working on what it is currently doing and not cut back services or funding.
	Recognize tourism as an important industry and support it financially through the levy. Do not cut spending to the sector. Encourage more day trips, more seasonal, historic tours.
	With less money available to most people, we should encourage Albertans to vacation in the province. Don't spend money on promotions in the U.S or rest of Canada.
	Borrow money to build the infrastructure projects then promote travel in Alberta this summer. Don't cut back, don't panic; get aggressive in building the tourism sector.
	Continue product development by providing focus and getting people from different parts of the sector to work together.
	Manage wildlife for economic gain. Done in Montana.
	Review all tourism programming. Keep the ones making money and close all those who do not and reallocate the funds to new projects.
	Government should stay off the road and let business take the lead.
	Commit to supporting tourism.
	Conventional Oil and Gas
	Government should stay vigilant on national and global happenings so that it can be quick to react.
	Should invest in infrastructure improvement and small business development.
	Government should not be involved in business. It should only be involved in creating and enabling the business environment.

Policy and Directions Continued	Should have a long term view on the economy, taking into account the cyclical nature of the industry and be prepared to respond to emerging situations. Should not wait for too long before responding to the need for a new royalty regime to support small producers. Should have mechanisms that address the entire royalty regime.
	Should ensure that policies are clear, processes are streamlined, and businesses are able to respond when economy starts to improve. Should not be a road block to business.
	Should support the recovery, but not make a big move to offer stimulus. Should have vision as to where Alberta can go. Partnership is key.
Training	Retail
	Don't overreact. Set up and train a competent/local workforce. Strive for level growth, not huge increases.
	Forestry
	Great opportunity to get engaged in training.
	Manufacturing
	Should encourage small business and medium business to employ more people. Should not be involved in royalties. Should have put more focus on understanding business. Did not involve the right people.
	Conventional Oil and Gas
	Government should be providing re-training opportunities for people who are out of work right now, but not make it a complicated process.
	There are those who never experienced the wealth that came with the boom and yet are going to face the bust. Should provide opportunity for people to ready themselves now through education, so that they can benefit when the boom hits in the future. Should keep people engaged in education or growing their careers and working.

SURVEY QUESTION 8:

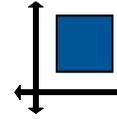
IN CLOSING, ARE THERE ANY COMMENTS THAT YOU WOULD LIKE THE NORTHERN ALBERTA DEVELOPMENT COUNCIL FORWARD TO THE MINISTER REGARDING THE CURRENT RECESSION AND RELATED POLICIES?

Category	Responses
Finance	Construction
	More accountability for bailout recipients
	Do not implement any new taxes.
	Put resources towards entrepreneurs and help to ease financing strains placed upon them.
	Let free enterprise adjust on its own. Bailouts should not be given to any industry.
	Province needs to be accountable for deficit spending process.
	Retail
	Legislate revenue sharing between urban and rural centers so that they are not competing over the same tax base.
	Current policies regarding debt and borrowing are not wise at this point in time. Government should take advantage of economic downturns and be better situated for when the upswing occurs.
	Forestry
	No justification for giving money directly to the oil patch. They need to do long term planning, just like forestry sector, which the government is not helping.
	Tourism
	Let's borrow at low interest rates to build infrastructure now. Look for opportunities.
	Provide tax credits so people can spend money.
	Think long term by investing in eco-tourism, a sustainable economic resource.
	Oil Sands
	There should be breaks for the middle class. They pay the most in taxes. The government's incentive programs (federal and provincial) should be easier to access and more profitable.
	Agriculture
	The northern part of the province is a good source of resources and the government should look at making sure that other industries are developed before they are depleted.
	Sounds like the minister is playing a vital role in developing recommendations and gathering of information
	Farmers and producers need a reduction on farm fuel tax. They should look at the trucking industry as well. Fuel tax reductions for commercial drivers.
	Make sure banks are accountable. There should be someone overseeing them so that we don't have the same problem as the U.S.
	Conventional Oil and Gas
	Cut cost by trimming the size of government.

Communications	Construction
	Messaging from the provincial government needs to be more realistic and truthful.
	Retail
	More communication between stakeholders (everyone) and government.
	Manufacturing
	Any programs that are in place should be well communicated to those who might be interested so that they can take advantage.
	Tourism
	Reinforce success. Alberta is letting itself be talked into fear.
Infrastructure	Construction
	Spend dollars committed to infrastructure now. Lean on federal government to supplement if necessary.
	Keep spending on infrastructure.
	Should be spending on infrastructure for the future.
	With infrastructure improvements, we'll have more incentives to attract professionals to the north and have them stay.
	Tourism
	Continue and complete the twining of Highway 63 as quickly as possible.
Quality of Life, Retention and Recruitment	Construction
	With infrastructure improvements, we'll have more incentives to attract professionals to the north and have them stay.
	Financial and Realty
	Province should be looking into better senior facilities in the north, so that those who have lived here their whole lives can stay. The lack of services for seniors in the north is atrocious.
	Need to keep current residents in the north or else with next upswing there will be no one available to sustain the same level of work. Need to make Alberta attractive to companies, like B.C. and Saskatchewan are doing.
	Tourism
	Need to decrease the cost of living in Fort McMurray. It must be made easier for people to come and work and live here.
Policy and New Directions	Construction
	Keep applying lessons learned and work cooperatively with industry to ensure increased productivity following the downturn.
	Retail
	We need all levels of government and communities working together. Be solution focused and discuss these solutions at the grassroots level.
	Keep a steady wheel. The ones who survive best are the ones that don't overreact
	Forestry
	The time for action is now.
	Manufacturing
	Don't fall into paralysis through analysis. There is a time to analyze, and a

	time to act. You will never have all of the facts. Edwards Demming (PDCA cycle).
	I'm not sure they are taking this serious enough. Said five months ago that the problem wouldn't effect us. They don't seem to realize how integrated economies are around the world. Should have longer vision.
	Tourism
	Do not stop the work that has already been done to date in tourism by budget cuts.
	Take a larger view of the economic situation and get people across all ministries to work together
	Keep marketing what we have. Get Albertans travelling in Alberta. Market into B.C. and Saskatchewan until international travel improves. Use the international marketing dollars for promoting Alberta markets to Albertans.
	North needs to be highlighted in provincial tourism publications.
	Don't panic.
	Conventional Oil and Gas
	It's all about jobs. Do everything to keep jobs and job creation incentives.
	Stimulate the economies of municipalities by injecting grants and low interest loans for infrastructure improvement projects.
	Should ensure we have a level of activity that would promote employment.
	Any solutions should be shared solutions. Industry can't do it alone, neither can government.
	Things have to be well thought out for long term positive outcomes.
	Should create long term competitiveness.
	It might be difficult for industries to get their labour when economy is doing better once they let them go. Should level the swings so that industries don't have to do big cut backs since that would result in taking a longer time for the economy to recover.
	Need to have all levels of government working together to enable businesses to take advantage when the good times come.

NADC Scenarios



Firing on All Cylinders: Adaptive direction/ Dynamic region

Northern Alberta... 2015

The region is very successful and one of the most competitive in the world. Alberta is recognized for its protection of the environment while balancing economic and social needs. The economy is doing well with its traditional sectors of agriculture, forestry, oil and gas; and successful measures to diversify the economy have also created stability. Small businesses are successful in leveraging local value-added opportunities. Communities are managing change, not just surviving it. Albertans recognize the importance of the north to the province. Aboriginal peoples are an integral part of the dynamic development of the region. In recent years, Alberta has been able to rapidly adapt to changing global economic challenges and opportunities, though there is a sense of unease that more must be done to ensure continued prosperity.

Global, Economy

After all these years, northern Alberta continues to be the strong engine that drives Alberta's economy. It has adapted, and recovered from the downturn and financial turmoil of 2008. It is insulated from the economic and financial stresses that still plague other areas of the world. Energy is still an important economic driver. Growth rates have decreased, but are positive. Despite energy price volatility, the economy has been stable. Small businesses and tourism operators are successful in leveraging local value-added opportunities and Aboriginal communities have turned some good prospects into successful new ventures. In recent years, Alberta has been able to rapidly adapt to changing global economic challenges and opportunities, though there is a sense of unease that more must be done to ensure continued prosperity. Watching the world stage provides motivation that keeps northern Albertans adaptive. A key issue is climate change.

The effects of climate change are diverse (e.g., the 2012-14 drought in southern Alberta and 2006-08 pine beetle infestations in the north). These effects are leading to increased environmental lobbying. Public expectations are that the economy remains vital, but that environmental impact is minimal. With ongoing development of leading-edge environmental technologies, local and world concerns about environmental impacts are being addressed, though many challenges remain. Carbon production is being offset by Alberta's forestry and agricultural industries.

Blog from northern Alberta

Hey, just wanted to update you on our plans. We've decided to build a new house. There is so much economic activity in the region – I know I'll have lots of opportunities to grow this business idea I have. Our community is really growing, seems like new people are moving in all the time and the area council is actively working on some great business plans. You know how much I love the outdoors, well there is plenty of nature around here and lots of organized activities to get involved with. It really feels like home here – come visit us! P.S. We're expecting a new addition to the family!

Technology, Infrastructure

The Alberta government and industry are supporting creativity and innovation. This is evident in the expansion of educational and research opportunities in the region. Existing infrastructure is meeting the demands being placed on it. An example of innovation is the commercialization of bio-fuel production capacity in Alberta using beetle-affected pine and other sources to produce energy in the form of electricity, ethanol, bio-diesel, methane, and heat.

Governance

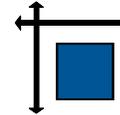
Shared governance models among governments, companies, communities, individuals, and not-for-profits are working well and there is increased public confidence in government. Communities are leading with provincial government support. Alberta's provincial and municipal governments have fostered improvements in health, education and social service delivery and are seen as adaptive to emerging needs.

Community, Demographics, Quality of life

Aboriginal peoples are increasingly participating in the workforce, economy, and education. The face of northern communities has changed, with more Canadian and international newcomers as well as mobile workers choosing to become permanent residents. Although costs are increasing, the demand for a wide range of housing is being met. A range of innovative models are being used to provide health and social services where and when they are needed. People are taking pride in their communities and are building them through volunteerism. Expectations have increased for not-for-profit organizations, but so have their funding levels and financial and volunteer support of these organizations.

Expansion of educational programs means that local populations are accessing more high-end employment opportunities in the region. Specialized education and training programs are drawing international attention and learners to the region, and many students are opting to stay. Greater diversity and acceptance are also leading to increased arts and culture which is adding to the overall quality of life in northern Alberta.

Diverging Paths: *Aimless direction/ Dynamic region*



Northern Alberta... 2015

The current state of northern Alberta is full of stark opposites. Many parts of the economy are booming and the economic future looks bright in the near term. Opportunities abound for entrepreneurial spirits wanting to build on their dreams. Serious concern about significant long-term environmental damage looms ever more strongly and technological changes could have serious economic impacts on traditional industries. Alberta's industries are maturing and may be susceptible to competition from more innovative jurisdictions. The stresses on some communities and residents are enormous and services just can't keep up with the growing demand. While the squeaky wheels are getting some grease, many areas and services are suffering and causing residents to wonder about what happened to their quality of life. They fear that the diverging paths of northern Alberta will cause it to spiral out of control.

Global, Economy

Despite energy price volatility, northern Alberta's economy has been strong. World demand for energy has not abated and alternate technologies have been slow to develop. This has created opportunities and a push toward cleaner technology. Some communities have seized this opportunity to create new ventures. Market prices have recovered from past lows and are stable due to consistent demand. Despite ongoing criticisms of so-called dirty oil, North American demand for oil from the oil sands has until recently still been strong. Construction of some oil sands projects is delayed because of uncertainty combined with increased construction costs resulting from continuing construction in India and China.

There continues to be a strong demand for natural gas, though conventional gas production has declined and methane gas production has not been developed in northern Alberta. Grain and canola markets are strong, but input costs are so high that this sector is very vulnerable if more crop failures occur. Several regions have been declared disaster regions because of the drought that began in 2013 and there has been little snowfall this year. However, southern Alberta and Saskatchewan are having an even worse drought. Forestry, having temporarily adjusted to the pine beetle infestation through alternate pulp production processes, is now starting to feel global pressure from South American and Asian production of pulp and paper. For pine-based mills, there will be a shortage of wood as the outbreak runs its course. Experiments with hybridization of poplar are meeting notable success, but harvestable woodlots are still years away.

Letter from northern Alberta

There are a lot of opportunities here, but since I put my back out moving that rig, I haven't been doing much. I feel for these kids who are making the same mistake I did, dropping out of school for a good paying-job. It certainly limits your options later – trust me I know. There's lots of jobs out there (I haven't been able to find a plumber lately), but they all needed more schooling than I have. Lots of time to worry about the environment though. We are either flooding or in a drought. Could be a natural occurrence, could be something else. Some feel the good times will never end, but I'm concerned.

Technology, Infrastructure

Industry has been the lead in infrastructure development, expanding options where profitable. Local value-added agricultural initiatives have helped diversify the region's economy. Some ventures have failed, but new technology in the use of algae to synthetically produce oil has recently become commercially viable. Although it has the carbon resources needed, it is not clear to what extent northern Alberta will be part of this rapidly developing production. It could be a two-edged sword, both making oil sands obsolete, but also providing carbon capture and carbon products opportunities.

Limitations in northern infrastructure (rail, road, and air) affect the transportation of goods to market as well as access to service centers, work sites, and tourism. Public pressure for improvements has been strong, but little has been accomplished. Communities and businesses are suffering from the limited access to markets.

Governance

Recent disclosures of environmental accidents have increased environmental lobbying and created a renewed public outcry for stricter measures. There is concern that implementing environmental and other policies could impact the economy. Finding the balance between environment and economy is difficult due to the risks involved. Implementing the wrong approach or policy could cause substantial economic and/or environmental damage.

Community, Demographics, Quality of life

Employment opportunities are plentiful, and salary levels are high in many areas of the north. But it has been difficult to fill the demand for people and lack of services and increased job pressures are taking their toll. A substantial number of Aboriginal residents are participating in the booming labour market, but low education completion and skill levels leaves others unable to take advantage of employment opportunities. The economic boom has increased the demand on our social infrastructure. High school drop out rates are high, with many young people leaving early to take on jobs. Full-time post-secondary enrolments numbers are low and colleges have terminated some programs, focussing more on short-term training requested by employers. This means that most students are leaving the region to complete a diploma or degree, and many are not returning. AADAC reports an increase in demand for addiction counselling and other agencies report increases in family violence, suicide rates and the number of stress related diseases. Baby boomers are becoming a major component of the population of seniors. They are becoming greatly concerned about the declining level of health care in the region as well as the lack of urban transit and other community services. The north has lost more health care providers and some hospitals anticipate that they may have to reduce services. The number of long term care facilities has not kept up with the changing demographics and there is concern for the future.