

Public Investment in Rural and Resource Regions as Strategic
Development Tool: Toward a New Era for BC

Prepared for the Cariboo-Chilcotin Pine Beetle Task Force

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Abstract

Public investments in regional development have been critical to the growth and development of British Columbia's economy in the postwar period. More particularly, investments in the crucial infrastructures of resource development, such as highways, rail, port facilities, schools and other public goods and services, facilitated the expansion of constituent producing regions and communities in BC's Interior and Coastal regions. Further, the growth of the resource economy over the 1950s, 1960s and 1970s generated massive benefits for the province as a whole, in the form of sales, revenues and incomes, underpinning BC's overall development as an engine of Canada's national economy, and its status as a progressive society with a high standard of living. The strength of inter-regional linkages, including management, financial, production and service interdependencies, also ensured a flow of developmental benefits outside the resource-producing regions, notably in Vancouver and the Lower Mainland.

Over the past two decades the spatial distribution of public investments has increasingly favoured the metropolitan south-west, including Victoria and the CRD, but more specifically the Lower Mainland. There is a logic to this trend of higher levels of investment in the metropolitan regions, in terms of capital following population growth, and in terms of the investments required to maintain the gateway functions crucial to BC's development. But the gap in public investments in BC's Interior is retarding the development of constituent regions and communities, to the clear detriment of the province as well as to the opportunities and welfare of the people of the Interior.

This paper argues that a new vision of the developmental future of Interior regions is essential for the 21st century, just as the provincial Government's vision of 'opening up the province' provided a framework for the investments of the postwar decades. This new vision can serve to establish priorities, to better mobilize resources, and to avoid ad hoc decisions which tend to deliver sub-optimal outcomes. Secondly, investments will be required in each of the three keystone development elements, reflecting the needs and potential opportunities of regions and communities: *development foundations* (including natural resource endowments); *development platforms* (key infrastructure and systems, including transportation, education, human and social capital); and *development catalysts* (encompassing the key 'agencies and actors' critical to moving communities and regions forward in the new economy of the 21st century: entrepreneurs, propulsive firms and enterprises, community leaders, innovative local and regional development agencies, and 'creatives'). As the emerging economies of Interior regions and communities will increasingly include smaller and more diverse industries and enterprise structures than in the past, the development catalysts will be commensurately more important. Thirdly, a forward-looking and well-targeted public investment strategy for BC's regions will generate important benefits, including : *realizing the potential of Interior regions and communities to capture new trajectories of development; promoting a better spatial pattern of development in BC in which each area of the province contributes to the overall development momentum; extracting more value from investments already in place; mobilizing under-utilized human, social and natural capital; leveraging higher levels of corporate and private investment; and promoting a more cohesive provincial society by establishing a richer landscape of opportunities throughout BC as a whole.*

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Introduction and overview

Public investment has long been recognized as a critical instrument of development policy among both advanced and transitional societies. Such investments have been especially critical in British Columbia's economic history, given the limits of indigenous private or corporate investment capital, and given also the capital-intensive nature of regional development in the postwar period, notably in key resource sectors. During the first quarter century of the postwar era, the state led development in the regions by investing heavily in transportation systems, schools, and other strategic public infrastructure. These investments yielded commensurately major benefits, both in the regions (in situ development) and in the province as a whole (sales, exports, incomes and revenues).

The significance of resource development (and more particularly resource exports) to British Columbia's current economic well-being can be readily understood in empirical terms. As might be expected export trade in services has been growing over the last two decades or so, with much of this service trade derived from specialized services industries situated in Vancouver (Davis and Hutton 1994). Services account for about one-third of BC's exports by value. But coastal and interior regions also contribute to service exports, notably in tourism. But this growth in services trade notwithstanding, resource exports (commodities as well as value-added resource products) continue to comprise a very large share of BC's export trade. In this regard, David Baxter, Ryan Berlin and Andy Ramlo of the Urban Futures Institute have forcefully demonstrate that forest products *alone* roughly equal the value of service exports (about 32 per cent for each in 2001; UFI 2005), with other significant export earning sectors including fuel, oils and electricity (11 per cent of total exports by sales volumes), ores and minerals (8 per cent), and agriculture and fish (5 per cent). *The central message is that resource production and trade will be essential to BC's economic development and economic well-being in the 21st century as well as the 20th; and, secondly, that intelligent policies in support of diversification need to complement – not replace – stewardship of the province's natural resources and associated industries and communities.*

Over the past quarter century the centre of gravity of public investment has shifted in British Columbia, from the resource regions of the coast and interior, to the metropolitan south-west, including the Capital Regional District and more especially Vancouver and the Lower Mainland. In large part this public investment has followed population and employment growth, as well as the burgeoning centres of political and economic power. There is thus a logic to the

spatial concentration of investment in the major urban areas of the province. That said, there is evidence that in relative terms interior regions and communities are deficient in public investment, seriously retarding development, impeding diversification, and exacerbating inter-regional disparities and a growing sense of alienation and exclusion from BC's growth and development. This paper makes the case for a renewed public commitment to investment in BC's regions and communities, not simply as an expression of fairness and inclusive values, but also as prudent and far-sighted public policy.

The nature of the problem

Over the postwar period Canada has become an increasingly *urbanized* society, and since the 1980s has also become more of a *metropolitan* society (Canada now has three city-regions with more than two million population, and no fewer than six with populations over 1,000,000. Cities (and more particularly city-regions) are attracting increasing shares of population, investment, employment, and infrastructural development, relative to non-urban places and regions. Further, city-regions enjoy additional development advantages, in terms of scale and agglomeration economies, international connectivity, large universities which produce innovation as well as new human capital, and political influence. All in all, the 'urban-metropolitan constituency' in Canada is growing in tangible terms and in terms also of political and corporate power. BC is a microcosm of this larger national trend, seen in the rapid growth and concentration of new investment and development in Vancouver and the Lower Mainland (and to a lesser extent in the Capital Region District and Okanagan). This inter-regional disparity in investment and growth has a correlate in employment generation: as observed in a report issued by the BC Progress Board,

During the 1980s and 1990s, BC's economic development has been oriented to the Lower Mainland, Vancouver Island and the Okanagan. Between 1981 and 1991, 360,000 net new jobs were created in BC. All but 1,000 were in these three areas. A preliminary look at 2001 census information (except for certain areas confirms that this pattern continued during the 1990s

Restoring BC's Economic Heartland — Project 250 Expert Panel Report, BC Progress Board, December 2002.

The resultant tendency is one of inter-regional divergence, lagging 'peripheral' areas, and intra-provincial asymmetries favouring the metropolitan regions, with attendant loss of development and employment opportunities (and evidently increasing social and political alienation) in much of British Columbia. If allowed to continue, this spatially 'lopsided' development trajectory will be socially divisive, and increasingly problematic from the perspective of community cohesion, unity and sense of shared purpose in BC as a whole. In the worst case scenario, future policy will be heavily oriented (or skewed) toward worsening problems of growth management and 'livability' in the metropolitan regions while

endlessly engaged in episodes of crisis management among many of the narrowly resource-dependent communities of the interior and periphery.

As a result, non-urban regions are seen by some as ‘lagging’, as in secular decline due to resource depletion and environmental degradation, and (in the minds of many decision-makers) more “peripheral” to the long-term interests of the nation, both in geographical and socioeconomic terms. These perceptions are in many ways faulty, and are derived in part from a tendency to overlook important development trends and potential in specific regions. But these misperceptions must be addressed, as smaller cities, towns and rural/resource regions are in many cases finding it difficult to compete for new public investment, a situation which can’t fail to retard their development, creating further inter-regional disparity and alienation.

In general the provincial regional development policy approach since the 1970s has been characterized by the lack of a compelling vision, by inadequate programmatic commitment, and by a failure to sustain local – regional commitment. This weak regional development policy experience may not have mattered so much in an era of unbounded resource stocks, strong export markets, and relatively limited international competition. But in the very different developmental context of the early 21st century there is a pressing need to develop more imaginative and innovative approaches to the future of BC’s regions and constituent communities.

Making the case for new public investment in BC’s regions

This paper makes the case for a new approach to public investment as a strategic tool for *development* (i.e. rather than just as a transfer). There is a tendency to over-generalize the prospects of rural and resource regions in Canada, relative to those of urban regions, but there are in fact many areas of opportunity which can be supported in the national as well as local and regional interests. These opportunities relate to (for example) value-added resource production and manufacture, higher education and the knowledge economy, tourism (including eco-tourism and cultural tourism, each of which present exciting opportunities for smaller communities and resource/rural regions), information, consultancy and other professional services, and administration, to name a few. Targeted public investments can materially aid these regions and communities in developing effective programs for transition and diversification; establishing new regional development platforms for the province as a whole; generating significant positive spill-over effects and multipliers; supporting a more balanced (i.e. less polarized) pattern of development and welfare; and promoting a more inclusionary vision of development in BC.

Outline of the Paper

First, a succinct introduction establishes the overall purpose and objectives of the paper; describes the approach, methods and sources; and outlines the principal sections and connecting linkages and themes. A context-setting section follows, including change in patterns of public investments in BC and implications for regional development, together with references to trends in similar jurisdictions. Thirdly, some illustrative opportunities for public investment as a targeted instrument of community and regional development will be identified. The strategic purpose of such investment is to use public resources effectively in opening a new era of diversification and development in the regions of BC, 50 years after the initial round-breaking programs of the postwar period which opened up the province's vast resource economy.

A similarly bold vision is required now, to support the next, forward stages of community and regional development in BC beyond the metropolitan south-west. As in the earlier postwar period, this investment will take the form of new capital for major infrastructure needs. But the 'new era' for BC's diverse communities and regions will also require targeted investments in human and social capital, in telecommunications, the knowledge economy, and cultural development.

The structure of regional economies in British Columbia

Over the last 20 years our perception of the structure of the BC economy has evolved from one of a macro-analytical 'one economy', model; then to consideration of a 'two-region' model which differentiated between the services-based economy of the Vancouver-Lower Mainland region and the resource-based regions of the coast, interior and northern areas of BC; to increasingly sophisticated multiple-region models that distinguish between economic base features for up to 10 distinctive regions. Thus the provincial economy of BC in spatial and structural terms might be usefully thought of as multiple regions with overlapping boundaries (e.g. according to administrative, functional and transport and communications definitions), characterized by dense inter-regional flows and patterns of exchange (resources, labour, capital, services); and, increasingly, by dynamism, the latter in response both to *cyclical change* (responding to business cycle effects and price fluctuations) and to more durable or *structural change* (major shifts in the structure of sectors, industries, labour, trade, and social characteristics).

Not of course that these growth dynamics of BC's region's are contained within the province or even the nation-state. As a small, open, trade-dependent economy BC has a relatively high volume of external flows and exchange, underpinned largely by export commodities and the accrued sales and revenues, but also (and increasingly) by flows of services, knowledge and information; by tourism and travel; and by the movements shaped by diasporic networks

between BC's large immigrant communities and international societies. While the international dimension of development in (especially) Metro Vancouver (and to a lesser extent) the Capital Region District is evident, many of the resource regions of BC are relatively more 'globalized', in the very real sense of high dependency ratios on global commodity markets.

Studies of the regional structure of development within BC have enhanced our understanding of what makes the individual regions and communities distinctive, as well as the core similarities. That is, all regions and communities share as common attributes certain infrastructural features (roads, schools and public buildings), systems (education, public administration, waste disposal, health care), and a mix of production and consumption sectors: although, of course, there are very large differences in scale, specialization, and growth rates. As a gross generalization, we can think of the resource regions of BC as being relatively *capital-intensive*, and as the metropolitan regions of Metro Vancouver and the CRD as being more *information- and labour-intensive*, associated with the dominance of service industries in each.

That said, it is the case that Metro Vancouver and Lower Mainland Region has also been attracting larger inflows of capital, both from public and private sources, in part because of the capital needs of major installations such as the Port of Vancouver and Vancouver International Airport (each of which serves BC as a whole), but also in part of derived demand from population (RAV Line), tourism opportunities (Convention Centre), and 'hallmark events' (2010 Olympics). There is certainly a perception among the regions of BC outside the metropolitan south-west (Lower Mainland and CRD) that the volumes of these capital flows is at least indirectly starving the interior regions and communities of the investments needed for the next phase of transition and development in the 21st century. Whether or not the provincial investment structure really takes the form of a 'zero-sum' game in which an investment dollar allocated to 'region x' means one dollar fewer for 'region y', it seems reasonable to assume that there are limits to investment pools, and therefore a form of inter-regional competition exists for capital.

As an analytical convention we naturally tend to deploy the usual categories of economic structure: sectors, industries, firms, employment, and occupations. These are to a large extent outcomes, rather than causalities, of growth and change (although of course there are interdependencies between the structural characteristics of a regional economy and its growth performance). Another way of thinking about the development conditions (or potential) of BC's communities and regions is to structure the nature of regional economies in the following way.

- I. **Development foundations:** these include the critical spatial and environmental attributes of a regional economy; are especially crucial to the developmental conditions for regions specializing in resource

(staples) extraction, processing and export, as well as tourism-dependent regions; and include, notably:

- 1) location (i.e. within the province, nation-state), which may influence access, connectivity and related cost issues
- 2) scale: spatial extent of the region, configuration
- 3) topographical features
- 4) natural resource endowments: water, air quality, forest fibre and other vegetation, minerals, soil, fauna
- 5) 'legacies and trajectories' which have historically shaped the nature of development, embedded cultural values, settlement systems

II. **Development *platforms***: these typically incorporate the important bases (or 'platforms') which support regional and community development in British Columbia, with illustrative examples as follows:

- 1) government, administration and other public agencies, including the quality of local regulation and policy
- 2) education (K-12 and tertiary)
- 3) key infrastructure: highways and roads and other transportation infrastructure, schools; commercial and industrial infrastructure
- 4) labour markets and human capital
- 5) social networks and social capital
- 6) cultural capital (assets, practices, values and belief systems)
- 7) 'connectivity' and 'relational capital', including not only the quality of telecomms, but also the nature of contacts between a region's citizens and external societies and markets, openness to innovation and new ideas, and the like

III. **Development *catalysts***: here we can cite the key 'agencies and actors' that can move a community and region forward—i.e. those who: lead innovation, transition and diversification strategies; enable or directly facilitate employment growth and new product development; and perform (re)visioning and leadership functions essential to the progressive development of any region within advanced societies

- 1) entrepreneurs (mostly private sector, but found not infrequently in the public sector and in civil society as well), who have the ability to identify new opportunities, mobilize resources, and inspire others by example
- 2) 'propulsive firms', lead enterprises (not necessarily the largest firms) within a regional economy by virtue of growth performance, management acumen and skilled workers, market penetration, innovation in product development (goods and/or services), influential business practices

- 3) community leaders, drawn from the public and private sectors (elected officials and staff members), NGOs and CBOs and the community at large, including First Nations, educational leaders, and including in well-rounded communities seniors and youth; these leaders have the capacity not only to identify positive directions for the community/regional economy, based on perceived opportunities, and the needs of the community; but also to bring together the principal regional constituencies and stakeholders in active pursuit of these opportunities
- 4) managers of investment capital and other financial resources and assets, with the power to direct these resources toward developmental opportunities for regions and for communities
- 5) key local and regional agencies, such as the collaborative bodies now increasingly prevalent in BC regions in the interior areas of the province
- 6) 'creatives', including artists, designers, writers, musicians and related professionals, artisans, and apprentices

Some commentary is required to enlarge upon this structure of regional development elements. First, in ideal conditions, each of these development elements—foundations, platforms, and catalysts—is not only present, and of a high quality, but is well articulated with the other elements within the regional economy. In advanced (or mature) regional economies, 'development' (meaning the *quality* of growth, not just growth rates) is effectively underpinned by the articulation of operational relationships between natural assets and regional platforms, animated, shaped and directed by the regional development 'catalysts'.

Secondly, though each of these elements of development are present to a degree across a range of regional economies, typically resource regions rely heavily on the quality of 'foundational' and 'platform' elements, while advanced urban-metropolitan regional economies, with their greater scale, specialization and diversity, are reliant upon the 'catalysts' and 'platforms'. To particularize, the development opportunities and incomes of resource regions are directly reliant on the quality of the local resource base – and the infrastructures and systems which enable the efficient extraction and transportation of these resource commodities and products – while urban areas tend to have an indirect (but no less 'real') dependency on resource inputs, and instead have a much greater reliance on the drivers of specialized, high-performing service economies: entrepreneurs, professionals, managers, IT specialists and 'creatives. That said, urban regions will always rely on natural resources (water, energy, production inputs), so this distinction should not be overstated.

Thirdly, in general, as regional economies develop, the importance of the 'catalysts' assumes increasing importance. In the most advanced regional economies—including certain urban economies, but also regions specializing in

high technology R & D and production (Silicon Valley, Route 128), and those typified by regionally-integrated innovation centres, labour markets, and production networks (such as those of the 'Third Italy', Baden-Württemberg, and the Ile de France and Toulouse regions on France)—sustained development and progression to new phases of economic activity are highly dependent on the quality of 'catalysts'.

Fourthly, it seems evident that regions in British Columbia will increasingly need enhanced quality in each of these three developmental elements for transition and diversification in the 21st century. Higher levels of resource endowment stewardship are prerequisites for a sustainable BC economy at the provincial, regional and community levels. *But even in regions with high reliance on 'foundational' elements—including those with rich natural endowments and established trajectories of resource extraction and processing—a greater emphasis will be inevitably placed on the 'platforms' and, more especially, 'catalysts' of development.*

Finally, stronger 'platforms' and 'catalysts' for BC's diverse regions will not occur 'naturally' or spontaneously, but will instead require intelligent and imaginative re-visioning, adjustments to regulation and almost constant refinements of policy, and well-targeted investments. The *status quo* of received policy models will assuredly not suffice as a means of promoting a satisfactory (fair, efficient, productive, sustainable) pattern of development in BC. The 'accidental economy' of the early resource and industrial development eras has been supplanted by the 'intentional economy' of skilled labour, transitional processes, high-value-added outputs, and collaborative regional networks. As resource endowments are drawn down, a sustainable regional economy will be comprised of smaller 'bits' (sectors, industries, firms and occupations), rather than the mega-structures of the classic resource extraction economy. Nurturing these will require more thought, and different forms of policy. Even in the most successful resource regions, the relentless intensification of capital and technology will produce leaner workforces, again underscoring the need for innovation and employment opportunities if we want to achieve sustainability at the regional and community levels.

Federal and provincial government agencies have over the last two decades invested in 'platforms' and 'catalysts' in urban regions, to good effect, and this practice now needs to be extended to smaller communities as well. Public investments have been instrumental in the growth and diversification of regional centres such Kelowna, Kamloops, Prince George and Nanaimo, as seen in funding for tertiary education, training and vocational programs, local airports, and for key industries and firms. A new era of progressive regional development for BC implies a recalibration of public investment directed toward smaller settlements in BC and the specific opportunities for each.

A ‘new era’ for regional development in BC: investment priorities

A provincial vision for the ‘opening up’ of BC’s resource economy, enunciated recurrently in the governments led by Premier W. A. C. Bennett in the 1950s and 1960s, provided a crucial framework for prioritizing wide-ranging developmental policies. These included province-wide investments in education and other ‘public goods’, but more specifically took the form of commitments to financing major infrastructure investments which provided the requisite ‘platforms’ for BC’s burgeoning resource economy. This vision was more than just a ‘strategy’, as it articulated an overarching purpose for Government over successive terms.

The developmental platforms included highways, rail, port facilities, schools, civic buildings, and other services and systems. BC Government investments not only provided an essential underpinning for the resource economy—the lead sector for the province as a whole—but also played a catalytic role in ‘leading’ corporate and other forms of private capital investment, which took the form of industrial development, retail centres, and housing. This macro-scale vision, although not uncontested, was by shared by a large segment of the population, taking the form of a ‘master narrative’ of development for BC in the third quarter of the 20th century

Economic conditions for BC have become more complex, and in some ways more problematic, and so no over-riding or transcendent vision based on one dominant mode of development is likely. That said, what is needed is a vigorous articulation of a larger public purpose for the ‘next phase’ of development (and redevelopment) for BC’s interior regions and communities—a statement bold enough to capture the public imagination, and to provide a framework for new policy models and initiatives. There is a clear need to bring BC’s ‘regions’ back into the centre of public consciousness and policy discourses for the 21st century, based both on *efficiency* and *equity* arguments. The ‘default option’ of inaction, implying increasing disparities in opportunity, socioeconomic welfare, and ‘life chances’ for our youth, is incompatible with the progressive political values and social attitudes of British Columbia’s population. There is an exigent need to align our economic development policies with these underlying values.

An agenda of investment needs and purposes

As a first principle there is a powerful need for Government to establish an explicit commitment to support development at the regional level in BC, especially in the so-called ‘250 region’ beyond Vancouver and the Lower Mainland, particularly in resource-dependent regions and communities. Broadly, BC’s diverse regions and communities will require investments for successful transition from high dependency on declining sectors; for extracting more value from remaining resources, reflecting both scarcity, high maintenance costs, and changes in external market conditions (competitors as well as markets); and for

supporting development in the new growth industries and occupations characteristic of advanced regional economies. The prescription for investment targets will naturally vary from place to place, reflecting the different development conditions and opportunities.

A first step will be to conduct incisive analyses of the development conditions for BC's diverse regions and communities. While some policy priorities may be applied across the board, such as investments in education, knowledge and innovation, in other respects the policy prescription will have to be tailored to prevailing circumstances. At the larger, extended regional scale some commonalities may be acknowledged. For example, the central and northern interior regions are afflicted by the scourge of the Mountain Pine Beetle, a 'chronic crisis' that threatens the established economic base of many communities. The southern interior is increasingly affected by the MPB, but the growth of tourism and convention business, higher education, professional services, viniculture, and light manufacturing combine to offer a viable platform for development, and a measure of insulation from the worst ravages of the MPB. Northern interior regions experience diseconomies accruing from isolation and connectivity issues, but some areas are enjoying a mineral resource boom.

Another issue of spatial development as it influences prospects for interior areas of BC concerns the role of the principal regional service centres, notably Kelowna, Kamloops and Prince George. While these centres experience some of the same developmental conditions that apply to the interior regions as a whole, they enjoy special advantages over smaller communities. These include, to illustrate: specialization in higher-order services (business, administration); important tertiary education institutions; a more diverse industrial base; scale advantages (e.g. larger population base for consumption industries; and connectivity advantages (e.g. better air travel connections than smaller centres, highway and rail access, and so on). The developmental impacts of these important regional centres are manifold and complex. If we think of these larger interior centres as 'growth poles' in the classic regional theory sense, they provide important services for their regions, and provide some opportunities for businesses in the larger regional setting, therefore generating positive 'spread effects' for the region.

At the same time, these larger interior centres may also produce 'backwash effects', in terms of capturing larger shares of investment, centralizing services growth at the regional level, and therefore limiting to a degree the developmental prospects of smaller communities in the region. The complex balance of 'positive' (i.e. spread) and 'negative' (i.e. backwash) effects is not an argument against promoting their growth, but does require a more thoughtful appraisal of their regional development role and impacts. The increasing dominance of these larger centres at the regional scale constitute a major 'condition of development' for the Interior's medium-size and smaller centres and settlements, for better and for worse. [A very similar trend is occurring in Australia's resource regions, with

similar effects in terms of spatial imbalances of growth and associated socioeconomic welfare effects, as described in O'Connor et al's portrayal of development trends in : *Australia's changing economic geography: a society dividing* 2001] To conclude this section, public investments are needed to support the needs and opportunities of smaller communities outside these major regional growth poles (or service centres).

Finally, we should avoid the fallacy that there is a regional policy 'template' that can facilitate the development of every region in the province, and instead engage in a dialogue with regional interests and stakeholders to disclose new visions and development pathways. A tendency for those residing in the larger urban centres of the province to over-generalize (or 'essentialise') conditions and opportunities in the Interior regions especially must be replaced by a more thoughtful appreciation of the more localized development potentials of specific communities. This will likely mean experimentation in new forms of governance, examples of which include the collaborative development forum for the Cariboo-Chilcotin, initiatives in community forestry, and the development programs for a number of First Nations groups.

Economic trajectories for the 21st century

The overriding development trajectory for BC's Interior regions and communities following the Second World War comprised the form of primary resource extraction, principally for export but also for secondary processing, The prevailing conditions were subject to boom and bust cycles (notably the commodity price shock of the early 1980s), but were broadly favourable, and included a wealth of high-value resources, generally strong external demand, and a competitive position, enhanced by an increasingly capital-intensive BC resource sector. By the 1980s, significant changes shaped the emergence of a 'mature' staples economy in BC, characterized by depletion of key resource stocks, technology-intensification leading to greater production efficiencies but also 'leaner' workforces, and new competitors in key sectors. The prolonged period of litigation by American interests comprised another long-running problematic for the forest industries, BC's key sector. Two decades on, this trajectory has progressed further, and includes deep problems in the key forestry sector, both on the coast and the interior; constant pressures of downsizing and closures, driven by a mélange of factors including corporate mergers and takeovers, continuing pressures of competition and the search for efficiencies, and further depletion of key stocks (Hutton 2002).

The conditions for the Interior resource sector are by means all negative. While external competitors, including those in the developing world, as well as those in the developed world with very highly-engineered resource industries, mean that BC resource industries must compete on price *and* quality, the emergence of new economic powers such as China and India likely portend growth in external

demand. Some progress has been made on developing higher value-added resource industries and products. The mining sector, long moribund for a variety of reasons, has experienced resurgence in the last decade. The continuing pressures of global competition, resource depletion, capital and technological intensification, and mergers and the rationalization of production will each create instability at the community and regional levels, but new investments will serve to anchor the resource sector as a major development platform for BC in the 21st century.

New trajectories and drivers of development

With appropriate measures BC's resource endowment can continue to serve as a crucial element of the provincial economy, but it seems clear that there will be considerable (and likely increasing) constraints on its capacity to 'lead' regional economic development and employment formation. Aside from the problems of resource depletion and environmental degradation, even in the more successful resource regions the increasingly technology- and capital-intensive nature of resource extraction and harvesting inevitably means fewer (though often more highly-skilled jobs). Here we need think only of the changing employment structures of major forest industry mills, which formerly required large contingents of segmented labour, but which can now be run largely by managers, engineers and technicians. The ongoing 'rationalization' of production within the resource industries of BC (and indeed Canada as a whole), with its wrenching plant closures and layoffs, presents another dimension of the emergent landscape of staples production in Canada (see in this context the new volume on Canada's 'new staples state' edited by Howlett and Brownsey 2007).

New policies and programs, and new investments, are required to ensure that Interior communities and regions have an opportunity to benefit from the new dynamics of development among advanced economies and societies. Following the 'long wave' economic processes of the industrial era (a century and a half within the leading economies in the West, a century in Japan, and rising half a century elsewhere in Asia) and services-led development (accelerating in the postwar period), we are now in a period in which multiple drivers of growth and trajectories of change are influential. These include, to illustrate: (1) the development of service industries, both intermediate (e.g. business services) and for final demand (e.g. consumer and personal services); (2) the implications of the technology-intensive New Economy, stressing innovation in telecommunications technology); (3) the Knowledge Economy, which privileges specialized information both as key inputs and products of advanced societies; (4) the cultural economy, including key institutions, creative industries and labour; and (5) tourism, including eco-tourism as an increasingly significant sector, with clear promise for many of BC's Interior communities and regions.

The clear implications for Interior regions and communities include the high probability that the emerging economy of the 21st century will include:

- smaller and more diverse industries; rather than continued high dependency ratios on one or two primary sectors, and a high likelihood that more community and regional economies will be characterized by fairly high enterprise turnover rates, driven by competition, technology, and other factors;
- a greater reliance on development ‘platforms’ and ‘catalysts’ for realizing development opportunities, and a more adroit policy approach which emphasizes ongoing stewardship, rather than efforts to identify the next ‘magic bullet’; and
- a greater premium on regional collaboration: identifying the most progressive ideas, harnessing the full resources of the community, and including community-First nations partnerships.

Several of BC’s Interior communities and regions, as in the Cariboo-Chilcotin, have already made great strides in this area, and have (for example) begun to examine programs for retention based on amenity enhancement. These represent a promising avenue for the regional transition and diversification which can move BC’s Interior regions toward more sustainable economies. There is a clear need to more fully mobilize *all* the resources of communities – ecological, human, social, cultural, and financial – in the new era of regional development, necessitating in turn more institutional capacity within these regions to identify, inventory and sustainably exploit these resources.

New Investment for a New Development Era in BC’s Interior

As observed, public investments were critical to the accelerated growth of BC’s resource economy in the postwar period. But from the 1980s the configuration of this public commitment changed, first in response to recession and government retrenchment and cutbacks, and then to a shift in priorities to the high-growth regions in the ‘south’: the Vancouver Lower Mainland region, the Capital Regional District, and the Okanagan (e.g, Coquihalla).

There is now exigent need for a new phase of investment to strategically support a new phase of development in BC’s Interior, both in the interests of communities and regions, and also for the benefit of the province as a whole. Significant investment is required for the stewardship of the ‘foundational’ assets listed on p. 4 above. But there is also a need for investment in the ‘platforms’ and ‘catalysts’ (p. 5) which will be increasingly important to the renewal and redevelopment of BC’s Interior regions and communities in the 21st century.

At one level a significant ramping up of public investment is obviously required in the interests of stewardship for the key natural assets which underpin the 'engine' of BC's resource economy. As the Urban Futures Group has compellingly argued (Baxter et al 2005), BC is still highly dependent on the sales accruing from resource product exports for a large proportion of its revenues. This point is perhaps self-evident to many, but needs re-stating in light of its demonstrable importance to the social welfare and future sustainability of BC's economy.

But the business case for public investment in the Interior economy extends beyond the resource stewardship issue, as critical as that clearly is. A new model of investment must now be developed, and articulated within a powerful, forward-looking and convincing policy framework, which will further a more diverse set of purposes and objectives over the next quarter century, including:

- (1) *realizing* the potential of Interior regions and communities to capture new trajectories of development, as acknowledged above: to some extent at least the increasing power of telecommunications technology, with the appropriate network supports, can overcome the friction of distance for communities and regions within the Interior of BC, potentially contributing to the ongoing diversification mission essential to the well-being of communities
- (2) *encouraging* a more outward outlook for development opportunities, acknowledging the potential benefits of building new business opportunity knowledge, cultural awareness, and collaborative possibilities, as BC moves deeper into the Pacific Century (see in this regard recent reports on twinning and partnerships; UBCM 2007)
- (3) *developing* policies (including new amenity programs and packages) to attract higher shares of international immigration to communities and regions within BC's interior, in a context of continued inflation in southern region housing markets (CRD and Okanagan, as well as Metro Vancouver), and increasing awareness of the very high amenity value of BC's Interior, which will contribute to local/regional human capital formation, to better 'connectivity', and to the outward orientation proposed in section (2) above (see Reimer 2007 for a more extensive discussion of this trend)
- (4) *promoting* a better balance of spatial development in which each area of the province contributes to the momentum of growth in BC: unequal growth performance will always be a feature of regional development in BC as elsewhere, but with appropriate investments and policies more regions can contribute more strongly to the high growth of the province as a whole (Progress Review Board 2007)
- (5) *extracting* more value from the public investments already in place, using strategic public investments as effective means of leveraging more

developmental benefits of highways and roads, airports, municipal infrastructure and other public goods which support economic development

(6) *mobilizing* the considerable (and in many ways underutilized) human and social capital within the regions and communities, including new forms of networks, collaborations and partnerships (including First Nations, of which the CC Pine Beetle Action Committee represents an instructive example: note here that social dynamics of interaction, information exchange and innovation are clear hallmarks of all advanced regional economies in North America, Western Europe, and Asia

(7) *leveraging* higher levels of corporate and private investment through the application of public capital in key areas and sectors: the major BC Government investments in the 1950s and 1960s era of 'opening up' the Interior resource economy served to lead new investments from the private sector, and may be used with good effect in the emerging Interior economy of the 21st century, involving as well new P3 investment strategies

(8) *promoting a more* cohesive society defined in part by a richer landscape of opportunities and prospects throughout the province as a whole: if we think of BC as a mosaic of inter-connected, complementary regions, communities and economic 'spaces', the functional capacity and performance of the provincial economic engine can be significantly expanded through targeted public investments

These represent new developmental objectives of public investment in BC Interior communities and regions, with the clear purpose of laying the groundwork for sustainable economic development in the province as a whole. What follows is a discussion of some specific examples of new forms of development and diversification which can be effectively promoted via a progressive economic vision and new public investment agenda.

Contours of the new economy for Interior communities and regions

The configurations of local and regional economies (sectors, industries, employment) within BC's Interior are already diverse, and are likely to become more so over the next decades. This differentiation militates against the idea of a common 'template' for all communities and regions. That said, there is likely some value in identifying a number of promising areas of opportunity, based on analyses of BC's regional economies, and the experience of other jurisdictions, as follows.

- (1) value-added resource industries: promoting higher value-added industries as a means of achieving greater diversity, and extracting more benefits from resources, has long been an aim of development policy in

BC. But over the next decade and beyond there will be a heightened urgency to this effort, as more of the resource base is drawn down in some sectors, and as research and industrial innovation disclose more opportunities.

- (2) advanced services and IT development: this should offer very attractive opportunities for an increasing number of Interior communities and regions, as the momentum of telecommunications innovation continues to break down some of the friction of distance. In this regard we can cite the research of Bill Beyers and David Lindahl of the University of Washington, who have studied the phenomenon of what they describe as 'lone eagles and high fliers' – advanced service providers (e.g. consultants) working in more remote areas of Washington State (Beyers and Lindahl 1996. While Beyers and Lindahl were largely concerned with individuals and entrepreneurs, another policy support could take the form of small business and IT clusters, which can provide advantages of agglomeration and scale economies for certain kinds of businesses.
- (3) the cultural economy and creative industries: research in many areas of Canada and internationally have identified the cultural economy (including galleries, museums, markets, and other institutions as well as 'creative industries' such as graphic artists, architects, advertising) as a key regional growth sector. To date much of the analytical and policy focus has been on larger urban areas, but there is evidence that many rural and resource communities have substantial cultural resources, including First Nations cultural assets and practices, as well as local artists, designers and educators. A recent study of the potential of the creative sector in U.S. rural areas prepared by Timothy Wojan and David McGranahan concluded that within non-urban areas '[t]he creative class is growing most rapidly in areas that are mountainous, with a mix of forest and open area (but with relatively little cropland), and where winters are sunny.' There are of course important contrasts between American and Canadian rural areas (including governance and policy system differences), but these findings suggest real promise for BC Interior communities and regions.
- (4) specialized tourism and experiential tourism: as is well know the global tourism industry is not only growing rapidly, but becoming increasingly segmented. Two of the most attractive tourism specializations for BC Interior regions and communities include (a) eco-tourism, based on the distinctive ecological assets of these regions, and (b) cultural tourism, which in our case would include areas of historical interest, as well as First Nations tourism opportunities.

These examples are selective rather than comprehensive, but may serve to illustrate the new developmental possibilities that may be supported for regions and communities within Interior regions of British Columbia.

Conclusion: a vision for the next 50 years of development

In this paper we have acknowledged the crucial roles played by public investment for the last 50 years of development in BC; identified the changes in the spatial flows of investment and implications for BC's Interior regions and communities; and attempted to set out a new vision, principles and agenda for a renewed commitment for the *next 50 years of development*. The recent experience of incremental policies and programs won't be sufficient to lead diversification over this period, and will fail to realize the remarkable opportunities for Interior regions – to the detriment not only of these communities, but indeed British Columbia as a whole.

While the specificities of regional development conditions in British Columbia require a 'made-in-BC' approach, we can learn from the innovative models applied elsewhere. Here we can acknowledge the benefits of public investments in (for example) the Alberta Rural Development Strategy, the Appalachian Regional Commission model, and the European Union LEADER program. There is also good reason for examining the rural and resource region programs in Queensland and other Australian states, which confront many of the same problems and opportunities) presented in BC.

Measures to replenish BC's natural resource base are clearly of the first importance in the renewal of regional economies in the province. But it seems equally clear that most regions will have to adjust to lower levels of allowable resource extraction than in the past, and significant new investments will be required to sustain these somewhat diminished resource yields. The scourge of the Mountain Pine Beetle also represents a major factor of development, offering accelerated yields in the short term, but a major resource shortfall in the longer span of time.

To conclude there is a need for a shift in public policy focus from an historical reliance on comparative advantage (exploiting 'what's there' – in the earth, the forests, and in the sea), to a more assertive and forward –looking posture of fostering *competitive* advantage. Strategic public investments in regional and community redevelopment in BC's Interior must form a salient part of this 'new vision for a new era' in the 21st century, for the clear benefit of these constituent communities and the province as a whole.

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