

On the road to economic recovery: Are we there yet?

by Heidi Riley

APEC visits PEI



The **Atlantic Provinces Economic Council (APEC)** visited Charlottetown in November to deliver their economic forecast and discuss how far Atlantic Canada has moved towards economic recovery. As well, representatives from three Island businesses talked about their impressions of what lies ahead.

The keynote speaker was **Richard Homburg**, Chairman and CEO of **Homburg Invest Inc.**



Homburg Invest is a Halifax-based company which has \$4 billion in assets world-wide. Here in Charlottetown, the company is involved in refurbishing the Confederation Court Mall and the National Bank Building. They are also constructing an eight-story office tower, a \$15 million, 10-story, 82-room hotel, and a 44-unit condominium complex.

Richard explained the reasons for the recent global economic downturn and spoke about his hopes for the economic recovery in Canada and on PEI. He suggested that the world needs

to reverse present trends and de-globalize, de-consolidate, and more strongly regulate the world's banking and financial institutions.

"We need to think globally and act locally," says Richard. "PEI should depend more on local rather than international businesses. PEI needs more investment, and there is lots of opportunity in the local market."

"Canada has done a tremendous job of selling itself as a country that has not suffered as deeply from the recession. That encourages foreign investors to invest in Canada because they see it as safe and stable. But even though Canada is doing better than other countries, we are not out of the slump yet."

APEC economists have their say...

Research Analyst **Patrick Brannon** listed some major investment projects that will boost PEI's economy through 2010:

- \$800 million investment in infrastructure in PEI's wind energy plan
- increased spending for highway construction
- QEH expansion
- infrastructure improvements to provincial nursing homes
- construction of the new \$30 million BioCommons Research Park and the new \$17 million Holland College Centre for Applied Science & Technology.

"PEI was the only province in Canada that did not get a big hit to exports this year - it actually saw a small increase. French fries, pharmaceuticals, and chemical products led the way in exports. However, exports may weaken this coming year, due to a lower demand for french fries. We have already seen Cavendish Farms planning to cut production.

"The fishing industry was the main casualty in exports - lobster exports are down \$23 million. 6,500 people work in the lobster industry on PEI. We expect lobster sales to slowly pick up as government efforts to expand markets take shape.

"In 2010, agrifood will continue to be important. Growth will be modest, as it will be affected by the high Canadian dollar.

"The recession has had an impact on tourism. This past year, there were 12 percent fewer visitors from the US, but there was an increase in visitors from New Brunswick and Ontario. Bridge traffic was up, but room nights were down. Cruise ship visits increased last year, and are expected to grow again. In 2010, we see some growth potential, but the high Canadian dollar will limit overall gains.

"Construction of single-family housing is down, but construction of multiple-dwelling housing is the highest in 20 years. Home prices will rise slowly in the future."

PEI has Atlantic Canada's highest rate of self employment

Senior Policy Analyst **Fred Bergman** predicts a modest employment recovery. "The October 2009 unemployment rate for PEI was 12 percent, compared to an average of 8.6 percent for Canada as a whole. But there is good news. Labour income on PEI is estimated to have grown 4.7 percent in the first half of 2009, compared to a .7 percent gain nationally. As well, PEI has the highest rate of self employment in Atlantic Canada - 13.4 percent of workers are self employed."

APEC President Elizabeth Beale's Recommendations

- Address the provincial deficit. PEI has run a deficit for 9 of the last 11 years. Paying interest on that debt takes up 7.5 percent of PEI's expenditures.
- Implement the Harmonized Sales Tax. "There is clear evidence that the HST improves long-term growth capacity and reduces costs to businesses."
- Shift away from job creation programs to programs that build capacity in industries that encourage innovation.
- Encourage workers to retrain and get more education.
- Adult education needs to be a top priority. There is a need to support a literacy strategy. On PEI, 43 percent of residents have inadequate literacy proficiency. That is a roadblock to further training or changing jobs.

PEI companies describe coping strategies for a difficult economy

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Vesey's Seeds - John Barrett, Director of Sales, Marketing and Development

Vesey's Seeds in York was established 71 years ago. The company has about 100 employees during peak times. "We have seen the effects of the global recession. We purchase our seeds and other goods in US, Europe, and China, all of which have felt the credit crunch.

"Many companies that depend on mail order sales have seen their business activity decline. But at Vesey's, the 2009 Seed Catalogue saw a substantial percentage increase in sales compared to 2008.

The recession might actually have helped our sales. When times are tough, people stay home and spend more on their homes and yards. Also, Michelle Obama did us a huge favour when she re-established the Victory Garden at the White House. She made gardening a cool thing to do.

"Atlantic Canadian companies are small. Creating strategic partnerships with other companies is a recipe for growth."

For more information, visit www.veseys.com



Cooke Group - Jeff Cooke, President

Cooke Insurance was established in 1972 as a one-person operation. Today there are 75 employees in Charlottetown, Summerside, Bloomfield, and in New Brunswick. The business began by offering home, car, and personal insurance. When Jeff joined the company, he began to concentrate on the commercial side.

"Growing the business is more difficult in hard times. If we want to grow, we need to invest in our employees, which are so important in a service industry such as ours. We appreciate our employees. Cooke Group was named one of the best places to work and one of the top 101 companies by Progress Magazine.

"Looking forward, we can take advantage of the current economic environment. We need to drive productivity by investing in technology, which will improve service. We have hired Microsoft-certified engineering staff, and we are working towards a paperless office and expanding to new networks. We started a FaceBook page as a tool to find out more about our customers. We redeveloped our website to suit our customers' needs. Our future plans are to expand to Fredericton and St. John. We need the right team to drive that growth. Without them, the growth will not happen."

For more information, visit www.cooke.ca



Genzyme Diagnostics - Donald Pogorzelski, President

Genzyme is a global biotechnology company with locations all over the world. Here on PEI, Genzyme makes a variety of testing kits used for making medical diagnoses.

"The current recession is the largest and deepest since the 1930s," says Don. "The recession will continue to affect us in 2010. As the American economy slows and unemployment grows, more people in the US will lose medical insurance which will shrink healthcare benefits and the potential for reimbursement for clinical diagnostic tests. The uncertainty surrounding healthcare reform in the US has created a certain instability in US healthcare markets, as one might expect.

"On the positive side, low interest rates are holding, and in some markets, the fiscal stimulus is working. The stock market is gaining momentum. This said, we need to manage our expectations. When recovery happens, it will be slow. Market variables could turn on us. For example, if the cost of oil rises, we will be in trouble again.

"To stay competitive, innovation is critical. There is a need to free capital to support the creation of new technologies, explore new markets and support product diversification. I believe we can reduce healthcare costs through innovation. In my children's lifetime, we will come up with technology that from a drop of blood, by employing advances in genetic diagnostics, we will be able to diagnose disease, determine which drug will be effective in managing the disease and in what dose. We need to invest to take these innovative, targeted therapeutic solutions forward."

For more information, visit www.genzyme.com

