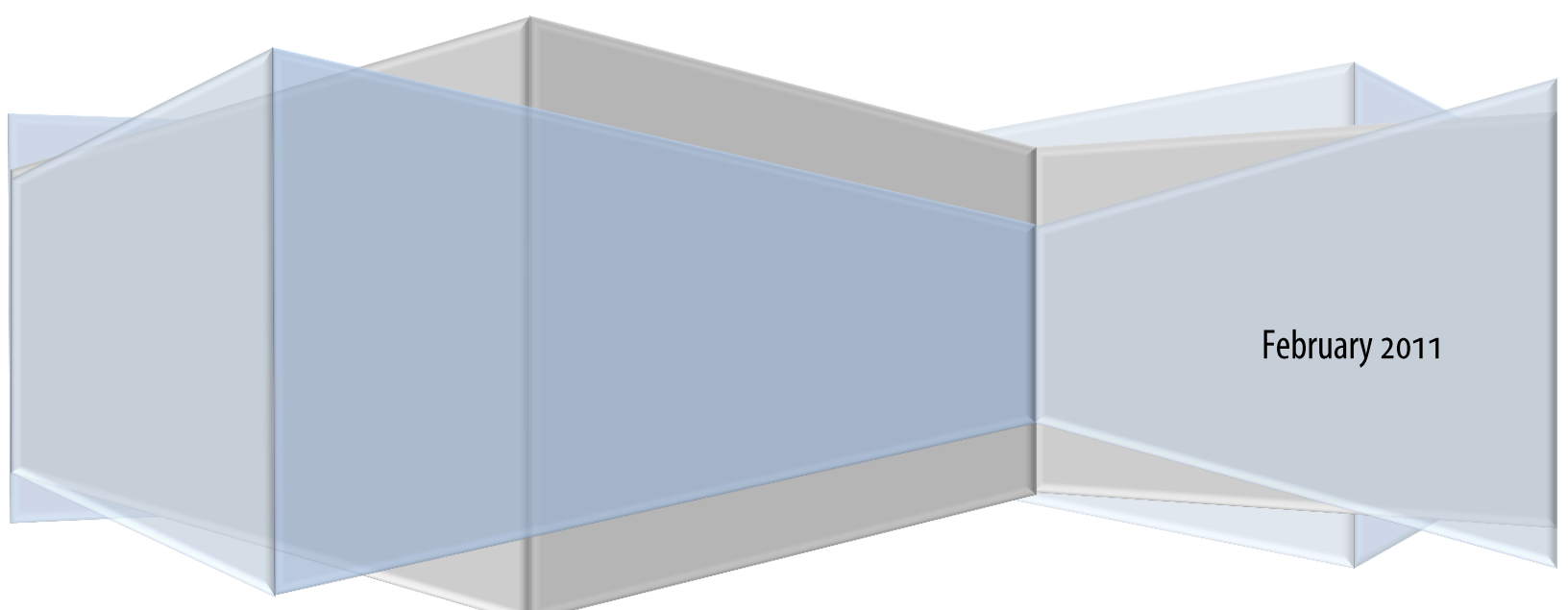


Speaking Notes

CMHC 2011 Halifax Housing Outlook Conference

Stephen Lund, President & CEO, Nova Scotia Business Inc.



February 2011

Thank you, Mac, for the kind introduction.

It's a pleasure to be invited here to speak to you today about the global economy and taking business investment to the next level in Nova Scotia.

I might not be an economist, but as president and CEO of the province's business development agency, I've gotten to know this province pretty well. I see it from a number of sides.

From the point of view of the business community... From my discussions every day with colleagues at NSBI who are working internationally, and from our clients and partners in major markets around the world... From the government and policy-making angle... But I also see this province as a Nova Scotian – more specifically, as a taxpayer... but most importantly, as a parent.

And this has shaped how I view global opportunities.

In the 10 years since NSBI began, the landscape has changed dramatically – not only in Nova Scotia, but around the world.

We truly do compete in a global economy.

In the past few months, we led trade missions to Panama and the Caribbean... In the next few months, we're headed to Washington, the Bahamas, Vietnam, Brazil, the United Kingdom, and San Francisco. As we speak, two of my colleagues are in Mumbai, India attending one of the largest IT conferences in the world – NASSCOM.

Understanding what's happening in the global economy has become crucial to understanding what opportunities are out there, where we fit, and how we compete - and win. The days where we think we can be content and trade among ourselves are long gone. The globalization debate is over. What goes on in the US, in China and India, in Europe – it impacts us.

Today, I've been asked to speak about what's happening out there in the economy. I'll talk about where we've come from, where we are right now, and where we go from here. I'll talk a bit about our strengths as a province, and about the challenges we'll face going forward.

But first, I want to start with a **quick video**.

People refer to this as The Great Recession – the worst we’ve seen since the 1930s. The reality of it is – despite the headlines we read in the paper, Canada and Nova Scotia have fared very well. Let’s take a quick look globally and see what’s happening.

The US

We learned a whole language in the US over the last few years. Subprime mortgages. CDOs. MBS. Bailouts. This was a recession unlike anything we’ve seen. So where is the US economy today?

GDP is on the move. Spending is up. Jobs are starting to come back, but at a slower pace. The US economy added 384,000 new jobs in the last three months of 2010, but the US is still a long way from recovering the 8.5 million jobs lost during the recession.

Europe

How did Europe fare amid the global recession? Where does it stand now? Well, take a look at the cover of New York Times magazine last month: *Can Europe Be Saved?* There’s a lot of uncertainty in Europe right now. Most economists are projecting growth to be less than 2 per cent over the next few years.

The biggest challenge in Europe right now is the group of countries affectionately referred to as the PIGS: Portugal, Ireland, Greece, and Spain. These countries all have high levels of government debt and high unemployment. Greece’s debt as a percentage of GDP is 140 per cent. In Greece and Ireland, 80 per cent of export revenue is going toward paying off external debt.

Portugal will eventually have to seek rescue funds. Its problem was a loss of wage competitiveness and feeble GDP growth.

Spain has one of the most overvalued housing markets in the world. They expect the real estate market to drop 8 per cent this year.

The IMF warns sovereign debt is the biggest threat to the global economy.

So that means in addition to slowed post-recession growth, these countries are dealing with “the big hangover” – and Europe isn’t out of the woods yet.

Let’s expand a bit on Ireland – a country most people are familiar with... and one that I’ve often referred to as a model for economic development. Here’s an example of a country that went from the worst performing economy in Europe to the best. The Celtic Tiger. How did they do that? Well, a billion dollar package from the EU didn’t hurt. Neither did their competitive tax rate of 10 per cent. Ireland set up the IDA – the Ireland Development Authority – to focus on foreign direct investment.

And Ireland went from worst to first.

So what happened? They lost control. Government spending was too high. The housing market went through the roof.

Ireland is a basket case, and it will take decades to recover. Ireland did a lot of great things, but they couldn’t handle success.

BRICs

The BRICs – Brazil, Russia, India, China. I got an email yesterday from a friend in Kuala Lumpur. He said: “Since the crisis began in the fall of 2008, the top ten Asian economies have grown 10 per cent. At the same time, the US is not a single dollar bigger.”

Emerging markets are leading the way out of this recession. Why? Because people drive economies. Over 50 per cent of the world’s population lives in India, China and Southeast Asia – and growing. And that population is increasingly more skilled and educated, especially when it comes to technology. China graduates 600,000 engineers per year. India has about 350,000 per year. And Canada? About 10,000.

But the BRIC countries are not without their issues. Inflation. Currency. Housing.

Egypt

With all this turmoil in Egypt, people are watching its economy closely and how it might impact other areas. This is a country where 40 per cent of its population is living at or below the \$2-per-day poverty line set by the World Bank. Egypt ranks 137th in the world for GDP per capita – which puts it ahead of such economic powerhouses as Tonga and Kirbati.

It is estimated the turmoil is costing Egypt's economy \$310 million per day.

Canada

As a country, Canada fared pretty well through the recession – in large part because of our much more conservative nature. We don't lend money the way banks in the US loaned money. We didn't have a subprime mortgage crisis. Our government doesn't spend the way other governments, especially those in Europe, were spending. We continue to collect taxes from our citizens even in cycles of strong economic growth.

In the months that have passed since the recession, Canada has actually regained strength. We added most of the jobs we lost during the recession. The thing is – they're not in the same sectors.

I was talking to Ray Ivany the other day. Most of you probably know Ray as president of Acadia University. He's also a member of NSBI's board of directors. Ray told me that between September 2008 and September 2010, there were 500,000 fewer jobs for those who had not completed post-secondary programs, compared to almost 280,000 more jobs for university grads and 230,000 more jobs for college graduates.

Nova Scotia

I mentioned we didn't really see much of a recession in Nova Scotia. That's partly because we're sheltered by a strong public sector, military presence, and post-secondary education network.

We don't see the highs, so we don't see the lows.

We're seeing steady growth in Nova Scotia. And in fact, we're roughly where we were when the recession started. Employment went up by 5900 jobs year over year (net increase). We added 6500 full-time jobs (January 2010 to January 2011).

Halifax in particular is doing well. The unemployment rate in Halifax is still 17 per cent lower than in Toronto, and 23 per cent lower than Montreal.

Despite the economic uncertainty globally, there is significant opportunity out there for Nova Scotia.

My philosophy has always been "play to your strengths." That means going after companies that "fit" in Nova Scotia – companies that can be successful here based on our inherent strengths, and companies that are sustainable in the long term.

Despite what you might have read in the APEC report last week, we don't sell Nova Scotia as a low-cost jurisdiction. We never have – because we aren't one.

At NSBI, our focus for the last five years has been on creating high-value jobs in financial services and insurance, information technology, and aerospace and defence. And being opportunistic in other sectors.

Each sector is different. In most cases, we are able to build on a solid foundation already in place. And we've achieved great success. That success, along with our solid value proposition, provide a springboard for future growth.

Financial services & insurance

This is the highest paying sector in Nova Scotia's economy. There are as many people working in this sector today as in fishing, farming, forestry, mining, and oil and gas – combined. Financial services has seen strong growth and will continue to grow.

Because of a strong base of skill sets in accounting, we've been able to attract key companies like Citco Fund Services, Butterfield Fulcrum, and Marsh Capital Solutions.

One of the really interesting impacts of the financial collapse on Wall Street was that investors are now demanding tighter controls and more due diligence, in particular when it comes to hedge funds.

Castle Hall Alternatives is a relatively new company that cropped up to fill that demand. In 2009, the company opened a Canadian office in Halifax. And in 2010, it announced an expansion that could see growth up to 50 new jobs.

This is a company that wouldn't have existed five years ago. In fact, five years ago, if you wanted to work in the international financial services industry, you would have had to leave the province to do it.

Flagstone is another great success story in this sector. Flagstone, which was then West End Capital, was the first international financial services firm NSBI attracted to Nova Scotia.

Since 2005, the company has shifted from hedge fund administration to reinsurance – a growing segment within the finance, insurance and real estate (FIRE) sector.

Flagstone now pays one of the highest annual average salaries in Halifax.

ICT

There are over 800,000 people working in the IT sector in Canada – and over 11,000 in Nova Scotia. This sector had the strongest growth at 16 per cent of any other province in the country.

IT isn't just people working for software companies; it cuts across all sectors. For example, there are 250 people working in IT positions at Sobeys' head office in Stellarton.

This is the knowledge economy. We don't need to talk about "transitioning" – we've transitioned.

Nova Scotia is home to smart people, strong industry players, and state-of-the-art infrastructure – and that's what high-tech companies in this sector are looking for.

In 2008, Research In Motion officially opened its state-of-the-art, 160 thousand square foot building in Bedford. RIM, as you know, is among the fastest-growing and most innovative technology companies in the world. What started as a high-level technical support operation has grown to include a centre for research and development.

NewPace - one of Halifax's best new businesses - is a local start-up developing mobile applications and other telephone-based solutions for clients all over the world.

SimplyCast's multi-channel marketing solutions are used by companies like FedEx, Cisco Systems, FujiFilm, and the University of California.

Shawn Wilkie, the founder of Sheepdog, has an incredible story about how he, through much perseverance, managed to grab Google's attention. This Nova Scotia company is now a key player in Google's dominance of cloud computing.

Radian6 is a company that started in New Brunswick and recently expanded to Halifax. Dell uses Radian6 to power its social media monitoring. So does Microsoft, Pepsi, and National Geographic. NSBI is also a client.

You can't talk about the growth of the information technology industry in Nova Scotia without mentioning the gaming and digital media side of things. TheRedSpace is developing projects for Nickleodeon, MTV, IBM and the BBC.

A big boost for the industry came last year when Longtail Studios out of NewYork set up shop in Halifax. Longtail Studios develops games exclusively for Ubisoft.

I chatted with Wayne Gudbranson, president and CEO of Branham Group. Based in Ottawa, Wayne is a leading industry analyst and consultant in the IT industry. **Here's what Wayne had to say about future opportunities in the ICT industry:**

Technology really is spanning across all industries. As Wayne mentioned, one of them is defence and aerospace – another economic sector that holds a great deal of opportunity for Nova Scotia.

Aerospace and defence

Nova Scotia is home to 40 per cent of our country's military assets. This sector employs 6000 people and adds \$1.5 billion to the provincial economy each year.

We're already home to the three largest defence companies in Canada: Lockheed Martin, General Dynamics, and L-3. IMP Group is another great company in this sector and employs over 3500 Nova Scotians.

Those are the sectors NSBI is focused on. There's also opportunity in shared services/BPO, manufacturing, oceans and Gateway, green energy, clean technology, and life sciences.

Our foundation industries present a bigger challenge. The question in these sectors - fishing, farming, mining, forestry, tourism – has got to be: how do we innovate? How do we do things better? How do we add more value?

Innovation is the way forward. If we increase innovation, increase exports, and increase productivity, we will increase the value of the jobs in these important sectors.

But it's not that easy. We have some work to do.

Challenges

Awareness. We are not well-known around the world. Sometimes we're not even known locally. Internationally, we need to do a better job – all of us – of raising the profile of this place. Take every opportunity to tell people where you're from. We all have a role to play.

I mentioned I have colleagues in India right now. Do you think people know where Halifax is? We're lucky if they know where Nova Scotia is. This is a long-term goal, but we'll get there eventually.

Locally, we need to better share our success and understand our opportunities.

Increased global competition. There are over 10,000 development organizations competing for a limited number of opportunities.

Strong Canadian dollar. This is a real challenge for a number of sectors.

Productivity. Another big challenge to face – not only in Nova Scotia, but across Canada.

Demographics. Probably our most pressing issue. I heard last week that there will be 100,000 fewer people in Nova Scotia in 20 years. We have the second oldest population in Canada. Not only that, we have an unhealthy population.

One of the areas we're seeing significant pressures is health care.

I asked **Chris Power, CEO of Capital District Health Authority, for her thoughts on the talent issue.**

It is clear that future growth in this province is going to come from outside.

Attracting/retaining talent. In order to attract people, we need the kinds of jobs that will bring them here – and, for the students in our universities and colleges, keep them here once they graduate.

We need to invest in coop programs and mentoring opportunities. The province announced earlier this week new funding for cooperative education – we should all applaud this initiative (and, as employers, take advantage of it).

As parents, we have a role in influencing our kids and their decisions. We need to educate ourselves on the opportunities that are out there before we educate our kids.

Literacy continues to be a big issue in many parts of the province. There are still a lot of people out there who struggle with basic literacy and numeracy – important skills in today’s knowledge economy.

We need downtown revitalization – let’s start with a convention centre!

Perhaps our biggest challenge? We have a real identity crisis here. We need to define who we are. If I asked you, “What is Halifax?” What would you say? A university town? A government town? A military town? What about “international financial services centre?”

We need to rally the troops toward a common goal. This is a great city and a great province. We need to pick something and be good at it – be great at it.

We need to showcase and celebrate our success and leave the naysayers behind.

We need to stay competitive – both from a cost perspective and a talent perspective. We have to match our skills and our schools with the jobs of tomorrow, not the jobs of yesterday.

We need to innovate. The research and development happening in our universities is truly world-class – we need to commercialize more of it. That’s a big opportunity for this province if we choose to take it.

The way you see the future has a profound impact on what it actually looks like. Think about it. Every year, we look forward in our planning cycles. We write a business plan, a strategic plan. But we can’t do that without a goal.

We need to ask ourselves: What kind of economy do we want in Nova Scotia?

This is the point of convergence between Stephen Lund the president and CEO of NSBI, and Stephen Lund the parent of two teenage boys.

The economy I want for Nova Scotia is one where my kids – and *your* kids – will find exciting, high-paying jobs at the coolest companies.

It's a place where people aren't afraid to fail. Where university graduates are just as likely to strike out on their own with an innovative new idea as to sign on with a major corporation.

It's a place where the best and the brightest from all over the world want to live and work.

It's a place where we have growth, but not unmanageable growth. We have big-city opportunities, but not the big-city crime and congestion. We have a changing skyline AND a great view.

It's where our kids grow up thinking – THIS is the coolest place to be.

Thank you.

-END-