

Innovation in Canada's Resource Sector St. John's Roundtable

DRAFT SUMMARY REPORT
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Overview

The Public Policy Forum convened this roundtable as part of a national series dedicated to exploring innovation in Canada's resource sector. The purpose of these events is to engage senior leaders in a focused discussion about the future competitiveness of Canada's resource industries.

The breakfast roundtable was hosted at the offices of Public Policy Forum member Worley Parsons in St. John's, Newfoundland and Labrador, from 7:30 – 9:30 a.m on June 28th, 2011.

The roundtable was moderated by David Mitchell, President of the Public Policy Forum.

Brent Meade, Deputy Minister, Innovation, Trade and Rural Development, Government of Newfoundland and Labrador, opened the discussion with observations and reflections on the challenges and opportunities for innovation in the resource sector in Newfoundland and Labrador.

Don Stevens, General Manager, Long Harbour Processing Plant, Vale, provided summary comments at the conclusion of the event.

Following the roundtable discussion, participants were offered the opportunity to participate in a visit to the construction site of Vale's Long Harbour Processing Plant.

A complete list of roundtable participants is included as an appendix to this report.

Discussion

Communication and Public Awareness

Participants agreed that forums for sharing information and practices are essential to building a culture and community that supports innovation. These opportunities are needed at both the local level, as well as on a national scale, spanning

geographic regions sectors (e.g. public, private, academic) and industries (e.g. mining, forestry, fisheries.) Creating hubs to connect leaders and share information is an actionable goal that participants identified.

Numerous local examples of innovation were shared, including the Walbush Mines, Cornerbrook Pulp and Paper, and the ocean tech sector in Newfoundland and Labrador. The successes of these examples include reducing environmental footprints, reducing energy use and water consumption, and generating positive contributions to business and process efficiencies, and generating substantial shareholder returns. Participants agreed that these stories need to be shared more openly at both a local and national level.

For example, the ocean tech sector has successfully built a model of collaboration through a unique partnership of companies, institutions, and government agencies called OceansAdvance. This organization links three post-secondary educational institutions, two research institutes and R&D labs to provide specialized education, training and research in support of 50 ocean tech companies. Since 2006 the sector has increased exports by 300 per cent, with sales revenues growing by 31 per cent over the same period.¹

Competitive Imperative and Building Capacity

It was agreed that the current state of the economy in Newfoundland and Labrador is quite positive, and as a result there is an even greater need for innovation and capacity building, to ensure the sustainability of current levels of growth and productivity. This is particularly important in the resource sector, which represents a significant contributor to the economic upturn that the province has been experiencing in recent years. The challenge in advancing these goals in a time of economic prosperity is that there is no obvious "burning platform" through which to capture the attention and imagination of innovators.

¹ www.oceansadvance.net



Participants agreed that there is both a challenge and an opportunity to build local capacity for innovation, focusing especially on a long-term outlook that seeks to smooth the transition from purely extractive activities should resources become scarce. Many reports and discussions point to investment in research and development, but there are in fact many other ways to build capacity. Activities such as strengthening collaboration between business and academia, examining potential supply chain improvements, and investing in human capital are other areas that were identified as being particularly relevant to the resource sector in Newfoundland and Labrador.

Building capacity also means creating the environment in which innovation can thrive and take shape in many different forms. It was noted that it can take a number of years to see a return on investments, something that is hard to sell to both investors but also to governments, who are usually interested in short-term results. Innovators must be willing to take risks, and, at times, accept failure. While there is less incentive to take risks when times are good, this is exactly when innovation is most needed. Finding ways to incent entrepreneurial initiatives by new graduates and experienced professionals is a good place to start.

Collaborative Culture

Participants noted that Newfoundland and Labrador has a unique culture that naturally supports collaboration. The size of the population and the strong sense of community and familiarity among leaders results in regular communication and collaboration. The province is not large and is therefore seen as a good platform for developing innovation clusters. Moving forward, there is a possibility to both replicate this model, as well as scale up to increase integration and collaboration with other levels of government and organizations outside of Newfoundland and Labrador.

Strong relationships between Memorial University and some small to medium-sized businesses have become a

cornerstone of the resource sector in Newfoundland and Labrador, leading to enhanced capacity for research and development. Participants agreed that the increasing tendency for industry to collaborate with the university is leading to stronger relationships and more meaningful work on both ends. Finding ways to enhance the mutual benefits of such partnerships is an important step to advancing collaboration and innovative capacity, and may include re-evaluating arrangements for the ownership of intellectual property flowing from joint ventures, and examining professional and academic advancement systems in collaborative environments.

Talent Pool

Developing the talent pool necessary to support a growing sector and to drive innovation is a particularly relevant challenge to Newfoundland and Labrador. The current economic boom being experienced is creating multiple opportunities for employees with a variety of skills. Opportunities exist to build a strong and diverse talent pool in Newfoundland and Labrador. This includes both developing new talent, as well as tapping into smaller, non-traditional sources of talent in the resource sector such as clusters of businesses owned and managed by female entrepreneurs.

There is also an opportunity to strengthen the connection between academic organizations and the resource sector to create relevant programs and develop more collaborative relationships. It was noted that both the university and colleges are experiencing a higher level of demand from students applying to programs relevant to the sector (e.g. engineering), and that there is an opportunity to channel this growing interest into programs that would be of mutual benefit to the research community and resource industries. Building capacity on campus for more students and new programs will directly enhance the capacity of the sector and local economy as a whole.





The construction site of Vale's Long Harbour Processing Plant

Actionable Recommendations

Taking the imperative for education even further, there is an opportunity to lay the groundwork for a stronger culture of innovation by promoting science and innovation at the K-12 level – which will provide benefits in the long term.

Finally, immigration policy also offers an opportunity to expand the talent pool. For example, Vale entered into a unique partnership with Export Development Canada for Canadian financing as well as external financing. As Vale prepares to open its Long Harbour Processing Plant, an additional 450 employees will be needed, which means that the town of 368 will need to grow substantially. Some of this growth may come from internal migration; however, an openness to accepting employees from other regions and countries will also be important.

- Develop forums at local and national levels to share best practices
- Find new ways to communicate and share successful innovations
- Expand and promote relevant academic programs to assist the development of the regional talent pool
- Explore opportunities and programs for welcoming new Canadians looking to work in the resource sector
- Incent entrepreneurship among new grads and experienced professionals through the promotion of start-ups

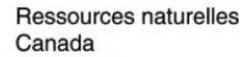
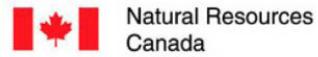


Thanks to our partners

The Public Policy Forum would like to thank our valued member organization for hosting this roundtable:



The Public Policy Forum would like to thank the following organizations for their support of this study:



Innovation in Canada's Resource Sector: Phase Two

St. John's Roundtable

June 28, 2011

Moderator : David Mitchell, President and CEO
Public Policy Forum

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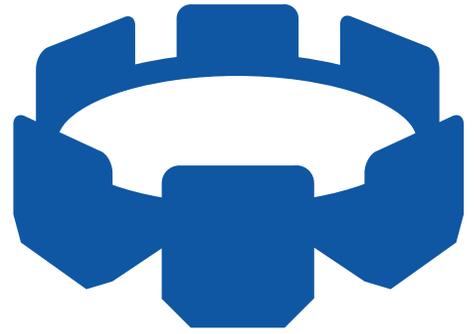
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