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The Okanagan Partnership

Okanagan Sustainable Prosperity Strategy

Final Report

June 2004

OKANAGAN
PARTNERSHIP
Collaborating for
Sustainable Prosperity

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The Okanagan Partnership

Okanagan Sustainable Prosperity Strategy

Final Report

June 2004

Prepared for:
Okanagan Partnership
c/o Innovation OUC
3140 University Way
Kelowna, BC V1V 1V9
Canada

Prepared by:
ICF Consulting
60 Broadway
San Francisco, CA 94111
(415) 677-7100

Contact
James Gollub
Senior Vice President
Global Economic Development
Practice
(415) 677-7184
e-mail: jgollub@icfconsulting.com
www.icfconsulting.com

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Executive Summary

The Okanagan Sustainable Prosperity Strategy is a bottom-up, collaborative strategy to ensuring that the Okanagan region—from Similikameen to Enderby in the north to Osoyoos in the south—remains economically vital while preserving a high quality of life that has inspired many to move to the region and continues to retain those who live here. This broad-based regional initiative is the first of its kind in the Okanagan. Until now, communities have largely looked within their own boundaries for solutions to economic and quality of life challenges they face.

Choosing a Future: There are forces at work that have made this the right time for new thinking and action on shaping our region's next steps in development. The Okanagan region stands at the proverbial fork in the road where difficult choices must be made. Very rarely does a community have the opportunity to choose its future. More often changes take place incrementally, invisibly, and one morning residents wake up and realize that the qualities they knew and loved are no longer there. The Okanagan Partnership for Sustainable Prosperity is about taking responsibility for protecting what is important today while setting the stage for enabling what is desired for tomorrow.

New Rules for Regional Performance: The genesis of this strategy comes from a recognition among regional leaders that the Okanagan's position within the global economy is not an assured one and that the region must compete for its living alongside of other regions. New rules or principles are needed to guide thinking in this broader context. These rules have been put to work effectively to build our strategy. These rules include:

- *Thinking Regionally:* The broader geographic area within which an individual can commute on a daily basis is where our attention needs to focus in today's world. In fact, businesses no longer care about which jurisdiction they are in. They care about the region where they locate and what advantages they can draw from its key inputs—from skills to innovation to transportation. Moreover, everything we do within our community has an impact on the broader region in which we live. Challenges such as air and water quality and congestion reach across municipal boundaries and require regional solutions. The region is where our future takes shape.

- *Focus on Clusters:* A region's performance is driven by its "portfolio" of industrial clusters. Clusters are groups of related businesses who export products and services from the region (bringing in new dollars), their suppliers as well as the public and private providers of economic inputs, such as trained workers, innovation, financing, transportation as well as governance. Clusters grow and change over time. Competitive clusters generate high value-added jobs whose multipliers (salaries and expenditures within the region) create other jobs. A healthy economy has a diverse portfolio of competitive and newly emerging clusters. Cluster needs and actions exert an important impact on the surrounding region's performance—prosperity, disparity and sustainability.

- *Build Regional Advantages:* Clusters only take shape and grow in regions where they can find advantages for their operations—the more responsive to their needs, the better. This is why technology-driven clusters tend to be locate close to sources of skilled workers and innovation—as well as close to each other—so they can take advantage of similar workforce and infrastructure. A region that is able to create advantages in workforce preparation, in generating innovation, in supplying finance, transportation, energy and water, efficient regulation and administration and provide a high quality of life will form, expand and attract more companies around specific clusters. Building and adapting regional advantage for clusters is the core of a sustainable and prosperous region.

- **Collaborate to Achieve Advantage**: High performing regions around the world have achieved their status because their communities, businesses and institutions have built a collaborative culture. A collaborative culture is an environment in which all stakeholders are open to change and are willing to negotiate trade-offs and constructive agreements with one another—they get things done, often in creative ways. A collaborative regional culture enables businesses, governments and organizations to work together, to commit to new ways of doing business and to make investments that will have a mutually beneficial pay off. Learning and applying collaborative practices is the key to building the advantages that will help form and grow clusters and achieve a sustainable and prosperous economy.

- *A Partnership of Many:* The Okanagan Sustainable Prosperity Strategy was initiated by regional leaders who founded the Okanagan Partnership in 2003. The initiative itself was made possible by the financial support of the region's economic development districts, OUC, the Province, Western Diversification, National Research Council and Industry Canada. ICF Consulting has provided the framework, analysis and technical support for the strategy development process.

The strategy process has included the following four phases of activity and results:

Phase I. Mobilize—Engaging Stakeholders

.From the beginning the Okanagan Partnership acted on behalf of the region to build a team that would shape the collaborative strategy. Efforts to communicate the mission and objectives of the strategy across the region were made from the very start. The collaborative capacity of our region was then assessed, and business, community and civic stakeholders were invited to join in the strategy process. A regional "stewardship group" representing the diversity of the regional leaders from among the region's communities was established to oversee the effort and a core management team was developed at the Okanagan Partnership to co-ordinate and support activities. This regional leadership group has seen the strategy through to launch of its implementation.

Phase II. Analyze—Diagnosing Our Region

The consulting team diagnosed the performance of our regional economy, identifying and assessing the competitive position of our industry clusters and evaluating the capacity of our economic foundation institutions as the next natural step in the strategy process. The diagnosis examined:

- *Regional Performance:* ICF assessed the overall performance of the Okanagan region in terms of prosperity, disparity and sustainability, as this is what all stakeholders are concerned with at the end of the day:

- *Prosperity:* The analysis shows that Okanagan has been a reasonably prosperous region, with healthy rates of growth compared to other parts of the Province. The central district, in particular, has seen significant changes over the past ten to fifteen years. However, not every indicator of prosperity is positive, indicating that significant challenges continue to exist. Wages are lagging the provincial average despite growth. There is a need to create quality jobs to ensure educated youth stay in the region. Moreover, growth and wages are not well distributed across the Okanagan: While the North and South are growing faster than the Thompson, there is inequality within the region. Overall, the evidence suggests that the

region needs to move from rapid growth to smart growth, with higher wages and better spread across the region.

- *Disparity:* While the Okanagan is marginally more equitable than B.C. as a whole, significant income disparities, gender disparities, and aboriginal/non-aboriginal disparities exist. Rental housing is considerably less affordable than owning a home in the Okanagan. This burden falls disproportionately on lower-income residents. In addition, balancing the supply of rental and owner-occupied housing may promote a more compact, sustainable urban development. The region must ensure that its efforts to promote smarter growth are inclusive and balanced.

- *Sustainability:* The Okanagan has experienced rapid growth and will growth further: now it must plan regionally for smart growth. The region's natural features: aridity, limited air circulation, and rich biodiversity—limit its capacity to adapt in the future to the impact of short-sited growth decisions made today. The region's growth, and pattern of development, has led to rising auto pollution, water restrictions, and a loss of bio-diversity. All of these impact the region's quality of life, and eventually, its competitiveness.

Scenarios of the Future: To understand the importance of today's decision-making on the region of tomorrow two basic scenarios of the future ten or more years from now were prepared. In each scenario actions taken by the region—to collaborate, foster institutional responsiveness and ensure inclusion and equity have affected the region's quality of life and innovation. As shown, this feedback loop can either become negative or positive:

- *Sunshine Eclipse:* In 2014, the region wakes to a sun shrouded with haze and a land turned over to asphalt and automobiles. Gone are the apple and cherry orchards, long ago replaced by fast-food outlets. The drive from Kelowna to Vernon has become an unceasing pattern of strip malls, subdivisions, and office parks. Jobs and housing abound but too many of them are dead-end low wage jobs with little opportunity for growth and pay too little to enable homeownership. Further, there is little evidence of natural landscapes except for the increasingly rare view of the lake and the distant hills. However, that view is more a mirage than an affirmation of the region's once great quality of life. The lake has constant swim advisories. Cities and communities in the region seem to be at constant war—for both tax dollars and new development. In short, a new feudalism has emerged. This was the Okanagan that no one ever imagined could develop.

- *Sustainable Prosperity:* In this scenario in 2014, the region wakes up to look out at an Okanagan where environmental protection goes hand in hand with economic prosperity. The preservation of the region's natural assets indeed became the region's greatest economic asset. The Okanagan has become a little paradise in the mountains—an island community surrounded by wilderness yet well planned with distinct community character. The universities and research institutes are well respected nationally and have developed a successful track record in commercializing technology. Growth is guided by regional goals and development enabled by strategic investments. The regional districts and First Nations strengthen their identities and work in a complementary manner. A new collaborative culture takes shape. 10 years from now, the Okanagan becomes a model for growth with sustainability.

Cluster Structure and Competitive Position: The consulting team developed a picture of our region's economic portfolio. For the first time we could see what our economy is made up of and how well we are performing compared to other regions. The team identified seven clusters that drive the Okanagan region economy today. The consultants defined their structure,

benchmarked each cluster against other leading regional centres for each cluster and specified competitive challenges on which to work. Almost all of the region's clusters are growing above the North American average. The following summarises their total employment, segment employment, location quotient (regional specialization), annual employment growth rate, relative to North America (where available):

- *Tourism:* Okanagan's largest cluster, driven by a broad set of attractions including wineries and farms, amusement and recreation services, performing arts and culture, carnivals and festivals, and heritage institutions. It employs over 25,000 people and has been growing at about the North American average since 1995.

- *Wine and Beverages:* Wine is a significant export industry in the Okanagan region, and its employment concentration is over 100% higher than the national average for this manufacturing industry, when other Beverages (beer, juices) are taken into account.

- *Value-Added Agriculture:* While agriculture has long been a mainstay of the regional economy, Okanagan has not developed a substantial downstream food processing industry. Employment in food manufacturing is only 26% of the Canadian average for a region of its size. In the cluster as a whole, including both agriculture and food processing, the job growth rate in the Okanagan has slightly surpassed the North American average. It has not kept pace with the Lower Mainland—although it has outpaced growth in similar regions in Washington.

- *Knowledge Services:* Knowledge Services is an emerging cluster in the Okanagan region. It does not yet have the critical mass of larger metropolitan areas, but in job terms it has grown faster than the North American average, including leading technology centers such as Vancouver, Seattle, and Boise, since 1996.

- *Life Sciences:* Life Sciences employs 19,400 people in the region, in hospitals, ambulatory health care services, and nursing and residential care facilities. Growth in the Okanagan has far outstripped the North American average since 1995. Its growth compared to the clusters in the Lower Mainland and Victoria is encouraging and is testament to the region's developing competencies in this area.

- *Aviation Services:* The Okanagan has developed a small but significant cluster in airplane maintenance and related air services. Although the cluster is difficult to measure with aggregate data, there are signs that the region's non-routine repair and maintenance capabilities have allowed it to start some aerospace manufacturing activities.

- *Forest Products:* One of the largest clusters in the region, Okanagan's forestry and wood products cluster includes both basic resource extraction and a considerable degree of specialized, value-added manufacturing. It employs over 14,500 and has been growing substantially faster than the North American average, at just over 2.0% annually.

Economic Foundation Capacity Assessment: The consulting team evaluated the performance of the region's sources of economic inputs and identified target institutions that would be valuable participants in the cluster strategy development process. Their analyses focussed on the strengths and weaknesses of each of the region's categories of economic input foundations—adaptable human resources, accessible innovation, available finance, adequate physical infrastructure, acceptable governance, and achievable quality of life. The consultants drew their findings from quantitative indicators, comparisons with other regions, as well as interviews with numerous local institutions.

- ***Education:*** The region educates its children well. However, education in the Okanagan reflects the needs of its "old economy". Primary products do not require the advanced training of other regions, and consequently the Okanagan lags other regions in educational attainment at the secondary and post-secondary levels. In addition, the emigration of educated Okanagan residents is a factor in the lower education levels of the remaining workforce.

- ***Finance:*** Finance did not emerge as a particularly critical economic foundation for immediate action in the region, although new initiatives are on the way. Areas that were pointed to were seed and venture capital, important to technology-based companies. Access to investment capital was seen difficult in the region, and many qualified firms were forced to identify sources in Vancouver and Calgary.

- ***Innovation:*** The Okanagan's innovation resources are a major untapped resource and offer the potential for significant value-added growth it the future. Four institutions are critical: OUC, now becoming the University of British Columbia—Okanagan; Dominion Radio Astrophysical Observatory (DRAO); Pacific Agri-Food Research Center (PARC); Interior Health Authority. In order to be effective, technology institutions must connect to industry clusters in ways that create a virtuous cycle. The research and technology outputs of institutions must be perceived as relevant to industry, and companies must be farsighted and risk-tolerant regarding the potential of technology in their industry. When both those conditions hold, the flow of technology to industry increases and so does its competitiveness in turn.

- ***Governance:*** From a cost of business point of view, the Okanagan is a highly competitive location. Wages, taxes, energy, and a business-friendly government are all seen as advantages. However, as the region continues to grow, the business climate mentality should change from "low cost" to "value for money". The Okanagan region is seen as supportive of entrepreneurship.

- ***Physical Infrastructure:*** The region's three airports are a significant advantage, with each having specializations. Growth in service is increasing. Highway 97 congestion remains an abiding issue, although efforts towards improvement are starting. Intra-community traffic congestion is rising. Water transportation and regional trails—which are assets—need further development.

- ***Quality of Life:*** In addition to its famous warm climate, many desirable cultural and recreational amenities are present in the region: Exceptionally good summer-winter outdoor recreation opportunities and a number of museums and galleries. A good public library system. 13 movie theatres and six major performance venues. Nearly 60 golf courses, 60 provincial parks and hundreds of municipal parks. Public safety is another important contributor to the quality of life. The Okanagan has a reputation as a safe place to live and work, and the data supports this perception.

The diagnostic findings were presented to the Okanagan region stakeholders, leaders in business organizations and public institutions at the first regional "forum" event in Vernon. The analyses provided the first overall story of how well the region has been performing, what has been driving that performance and where the region is strong or weak in ability to support that performance. These diagnostic findings have been used in the collaborative strategy process as a point of departure for participants to use in identifying the challenges they share and on which they are prepared to work together to find solutions.

Phase III. Catalyze—Energizing Collaborative Action

Regional leaders believe that our Okanagan Sustainable Prosperity Strategy will be successful. The reason they believe this is because stakeholders from within each cluster and across the region have shaped the strategy has been shaped from the start—all of which have a strong commitment to collaborate. Three rounds of collaborative working groups were held to develop individual cluster strategies. These groups comprised representatives from export industries, supplier industries and economic input institutions. The participants defined the competitiveness challenges they shared in common, identified the actions to address those challenges on which they were willing to work together, and developed business plans specifying how the action teams they had formed would implement their initiatives. Our communities received this cluster working group process very well—there was strong participation throughout. Each cluster group had from approximately 35 to 85 participants. Well over 500 people participated overall. Both private companies, large and small, and public institutions were well represented at most meetings.

The major outcome of the Okanagan Sustainable Prosperity Strategy is the set of individual cluster competitiveness strategies that have been completed *and* the Flagship Initiatives arising from the needs shared across clusters. Each cluster group has completed a strategy. Each strategy encompasses five components: (1) the baseline competitive position from which the cluster will grow, (2) the priority competitive challenges that the cluster needs to overcome in order to increase the formation, expansion and attraction of enterprise in the Okanagan, (3) the set of initial business plans for the actions designed to address their competitive challenges, (4) the vision of the "return on solution" or the impact of overcoming their competitive challenges on the cluster's structure and performance five years from now and, finally (5) each cluster's unanimous agreement that maintaining their cluster organization and further expanding its membership would be worthwhile pursuing.

Participants prepared over 35 business plans for individual cluster action initiatives, some of which have already been carried out. These strategies are stakeholder-crafted, market-focused, collaborations that will address cluster challenges that range from securing new sources of innovation and workforce skills to improving financing of early stage enterprise to enhancing cooperation in marketing. The actions are intentionally modest in focus, designed to be within the grasp of participants, with the goal of proving that collaborating to compete is feasible and desirable continuing way of living and working in the Okanagan.

Phase IV. Realize—Enabling Implementation

The completion of the Okanagan Sustainable Prosperity Strategy has involved several steps that conclude with the launch of strategy implementation. The goal of this work is to lay the groundwork for sustaining the momentum that has been already started so well through our strategy process:

- *Develop Flagship Initiatives:* A crucial achievement of this strategy has been defining the crosscutting themes or flagship issues on which the region can and must work together to enhance the advantages of the overall economy *and* sustain the quality of our home. Eight flagships have been developed by the stewards and co-chairs of the region's cluster groups. They include:

- *Flagship 1. UBC-O and OC Strategy:* A catalytic initiative for the future where the Partnership will lead with UBC-O and OC to align the new university's activities with the

regional economy, its skill and innovation needs—with linkages to PARC, DRAO and the Health Authority.

- *Flagship 2. Regional Planning:* A legacy initiative for sustainability where the Partnership will lead working with communities and agencies across the region on growth and transportation.

- *Flagship 3. Skills Pipeline:* A catalytic initiative for competitiveness where training needs of clusters will be more systematically tracked and meet through collaboration.

- *Flagship 4. First Nations Partnership:* A legacy initiative where the Partnership will work side-by-side with First Nations and community leaders to strengthen collaboration on economic and social development.

- *Flagship 5. Regional Water Supply:* A legacy initiative where the Partnership will support ongoing efforts to establish a regional water district that can integrate management and delivery of future water supply.

- *Flagship 6. Deal Generator:* A catalytic initiative where the Partnership will support ongoing efforts in the region's communities to build the continuum of financial investment capacity from pre-seed to angel and venture capital funding to accelerate new enterprise formation.

- *Flagship 7. Regional Airport Strategy:* A catalytic initiative to increase business and visitor access to the region and enhance growth of aviation industry services and manufacturing in which the Partnership will support ongoing efforts among the region's airports to develop a plan for complementary and mutually beneficial development.

- *Flagship 8. Regional Brand Strategy:* A collaborative effort to define the common elements for a regional brand reaching across the region's communities and across the region's clusters to find common denominators. The initiative will develop a set of mutual reinforcing brand messages and channels for the delivery of the region's emerging shared identity, seeking constructive ways to harness and coordinate ongoing marketing efforts.

Design and Start of Implementation Mechanism: The most crucial outcome of the competitive strategy process, after the completion of the collaborative strategy, is the inauguration of a regional leadership group committed to moving actions forward. Over the course of developing the Okanagan Sustainable Prosperity Strategy, regional leaders have done just that: They have committed to continuing and building the Okanagan Partnership as the vehicle for maintaining this initiative's forward progress. An initial mechanism for sustaining the Okanagan Sustainable Prosperity Strategy is now in place. The Okanagan Partnership organization will:

- *Convene Regional Leadership:* Continue to bring together regional stewards and cluster co-chairs to superintend the implementation of the Okanagan Sustainable Prosperity Strategy. The Partnership will meet quarterly with an annual meeting to report progress and recognize "collaborative entrepreneurs" in the Okanagan region.

- *Realize "Flagships":* Perhaps the most crucial role for the Okanagan Partnership in helping the region to achieve the sustainable prosperity scenario is to ensure that leadership actively focuses on helping move each of the flagships forward—leading where necessary, supporting where appropriate—and helping to articulate new flagships over time.

- *Build Cluster Group Networks:* Clusters have some momentum now—but it must be sustained. For this reason the Okanagan Partnership will provide an organizational

infrastructure or secretariat for each of the seven existing industry clusters and their members, assisting them in convening and expanding their membership and collaborative initiatives—working with existing associations as appropriate.

- *Assist Implementation:* Each cluster and their members are responsible for moving their cluster actions forward. However, experience has shown that providing recognition, technical assistance and (where possible) financial resources (on a matching basis) are essential to making cluster collaborative problem-solving and innovation a natural part of the region's economic culture.

- *Track and Report Progress:* Demonstrating the value of collaborative action is the best way to build support for regional strategy. For this reason the Okanagan Partnership will monitor and report on Okanagan Sustainable Prosperity progress over time—focusing on regional performance, cluster competitiveness and economic input advantage.

- *Implementation Launch:* With the Okanagan Sustainable Prosperity Strategy now complete, the regional initiative launches implementation beginning with the second regional "forum" event at which regional stewards, cluster co-chairs and action team members describe how the initiatives of this effort will move forward. From this point forward, the Okanagan Sustainable Prosperity Strategy will be managed out by the Okanagan Partnership, who will continue to convene regional leadership, pursue development of crosscutting flagship Initiatives, build and support cluster networks, provide technical assistance to cluster action teams and monitor regional progress.

Expectations: Small Solutions, Not Grand Illusions

Successful strategies are about learning how to change again and again—moving forward towards shared goals. Through this initiative participants have come to learn that successful regions achieve their goals because the people and their institutions and organizations are capable of seeing the world around them differently and are willing and able to change. These changes are never easy, but each time a change is accomplished, that accomplishment reinforces the value of undertaking further actions. The Okanagan region is rich in quality of life and intellectual assets that have only started to be developed and harnessed. The Sustainable Prosperity Strategy is a living laboratory for practicing the agility needed to craft our future.

Join us.

1. Introduction:
Achieving Sustainability Prosperity

Mission

The Okanagan Valley is a special place. The communities of the Okanagan understand what a great place this is and celebrate the region's quality of life and good economy. For a generation visitors have come to enjoy the region's climate and natural beauty and cultural activities—many have second homes here, or retire to the Okanagan. Yet, residents are coming to realize that the Okanagan region's bounty is not immutable—that it can and will change. Like many places, those living in the midst of the region, involved in their individual communities or enterprises, may not realize how profound these changes might be and that the sum of the many changes underway might add up to very big shifts in the region's identity and quality. In fact, the Okanagan might be at risk of losing the very qualities that have drawn residents here over the years. There is no doubt that residents care about their future here. However, there is clear evidence that—in the aggregate—the Okanagan has not been taking care of business as a region.

This initiative has been formed to address that very important task. Leaders from across the region's communities have agreed that this region needs to develop and implement a strategy for achieving sustainable prosperity now, if the valuable asset that regional citizens know and love is to be preserved. The Okanagan Competitiveness Strategy is a bottom-up, collaborative, action focused initiative. This initiative is intended to change how the people of the Okanagan see their region and enable them work together to ensure that this region maintains a dynamic sustainable economy. This comes with a substantial burden: To achieve sustainable prosperity new ways of thinking and acting are called for. New investments and new ways of cooperating are required. Yet, as the development of this strategy has clearly shown, the residents of the Okanagan care deeply about their region and are willing to move ahead together. This document presents the outcome of a deeply collaborative effort reaching from North to South and encompassing the broadest range of stakeholders possible in crafting the steps to a sustainable prosperous future. This strategy is a living document, designed to reflect agreements by stakeholders on crafting the next generation economy—but its fundamental goal is to launch a permanent change in how this region does business together now and in the future.

Partners

The Okanagan Strategy for Sustainable Prosperity is a by any definition a collaborative effort. All the participants that have joined this effort have played critical and distinctive roles. Stakeholders of many kinds have played important roles at all levels of this initiative. Over 500 individuals participated in this effort and more are joining in daily. The following are the main groups that have made this effort possible:

The Okanagan Partnership: This initiative was started and superintended by regional leaders chairing the Okanagan Partnership. The Partnership is a new entity whose mission is to support

efforts to achieve sustainable prosperity in this region. The co-chairs of the Partnership have diligently played the role of social entrepreneurs, bringing key participants together, managing the developmental process of this large-scale collaborative process—essential a movement. The staff of the Okanagan Partnership were the "legs" on which this initiative has run, ensuring that the vast array of participants come together at the right time and received the key messages needed to energize key commitments.

Stewards: A leadership group of individuals committed to "thinking regionally" were identified and recruited to help oversee and build this strategy. These individuals represent business and community organizations from across the region. Eighteen individual have served as stewards, with two co-chairs. The notion of stewardship of the region has been continually stressed as a fundamental need and outcome of this effort and the participants in the Okanagan Partnership's stewardship group have risen to that challenge. These stewards have played and continue to play a crucial role in

> "It's a great opportunity for all Okanagan altruists to get directly involved in making the Okanagan an even better place. I'm involved because I felt an immediate passion for this area when I moved here. I wanted to contribute something."
>
> Theresa Arsenault, Steward of the Okanagan Partnership

sustaining the momentum this initiative has generated. In particular, they will be the engines behind launching new "Flagship" initiatives that reflect needs shared regionally that are essential to achieving a sustainable and prosperous future here.

Cluster Co-Chairs: A set of individual business leaders were identified and recruited to help anchor and manage the collaborative strategy process that built the sustainable prosperity strategy. These leaders were sought as individuals who were able to see beyond their own company interests into the needs they might share with other firms, suppliers or economic institutions. Their job was to help "convene the marketplace" so that bottom-up, market-driven, collaborative actions could be crafted.

Cluster Participants: These 500 or more stakeholders have been the heart of the sustainable prosperity strategy process. Through a systematic process of analysis and outreach individuals representing three types of stakeholders in each of the Okanagan regions' key industries were invited to become participants in this collaborative effort to shape a competitiveness strategy for their industry. For each industry these included: Exporting businesses in each of the region's driving industries; Suppliers that support these enterprises, and; economic input institutions, such as universities, colleges, banks and investors, utilities, provincial and local government regulatory and administrative agencies and association. The development of the sustainable prosperity strategy benefited profoundly from the high level of participation, continuity and commitment of these stakeholders. These individuals come together not to make plans, but to agree to changes in their communities and economy that would enable innovation and competitiveness, and that is what they did.

Funders: Financial support for this initiative was provided by a broad set of stakeholders, who recognized the importance of catalyzing change. They include agencies and organizations from the local to national level, including:

- Okanagan University College
- Regional District of Okanagan-Similkameen
- Regional District of Central Okanagan

- Regional District of North Okanagan

- B.C. Ministry of Small Business and Economic Development

- Western Economic Diversification Canada

- National Research Council of Canada

- Industry Canada.

Framework: New Rules for Success

The Okanagan Sustainable Prosperity Strategy is based on four principles for building a high performing economy:

1. Think Regionally—The Importance of Place

Thinking regionally is important. First, our lives generally take place within a geographic region, a zone within which we can commute back and forth each day. We no longer live entirely within the boundaries of a village. For this reason, each of us needs to realize that range of challenges that influence our lives takes shape not only in our backyard, but also down the road. For this reason, the term "commutershed" is a useful way to define a region. To ensure quality of life, we need to look more broadly, whether the topic of concern is jobs, housing, transportation, water or air quality.

There is a second reason why thinking regionally is important. Globalization of production, expanding trade, and increased mobility of capital have made it increasingly possible for industrial activity to be geographically dispersed. However, as globalization has expanded, the importance of place has grown. Regions that can provide critical inputs that industries need, such as skilled workers, technological innovation or financing have become the stronger players in the new economy. Proximity of the institutions that supply these inputs allows for a more rapid and tailored response to local industry needs. Regions with shortcomings in supplying inputs can find it difficult to form, expand or attract industry.

Moreover, in the global marketplace every region is now competing to create specialized advantages required, not only for their economy overall, but for specific industries. In fact, globalization has simply resulted in industries locating their activities along with other similar companies in an increasing number of regional "hot spots".

> "'The whole regional approach is absolutely the way to go.'"
> Kelowna Mayor Walter Gray quoted in *The Daily Courier.*
>
> "Strong representation from all of the Okanagan is extremely important to deliver on the regional nature of the Okanagan Partnership."
> Brad Bennett, Co-Chair Okanagan Partnership

The Okanagan needs to realize that thinking regionally will help all its communities do better in the challenging global marketplace. We are stronger together than alone, whether the subject is promoting tourism, wine and knowledge services or addressing regional needs, such as water, transportation and land use.

2. Focus on Clusters—Economic Engines

An industry cluster is a concentration of similar, exporting companies with related products or services, their joint suppliers, and supporting "economic foundation" institutions. Regions are often well known for their distinctive clusters: For example, Los Angeles—film and media; Silicon Valley—electronics, software, telecommunications, biomedicine; Detroit—transportation

equipment; Las Vegas and Orlando—tourism and entertainment. A region's portfolio of clusters drives its economic performance.

As illustrated in Figure 1-1, clusters produce new economic wealth for the region and are thus an important way to raise wages and create new jobs. Clusters are also, as a form of industry organization, an important source of overall competitiveness for a region. Experience and research from around the world have demonstrated that tight localised networks of companies, which collaborate as well as compete, are better able to foster innovation and adapt to rapid market changes than isolated companies.

Figure 1-1.
Clusters and the Regional Economy
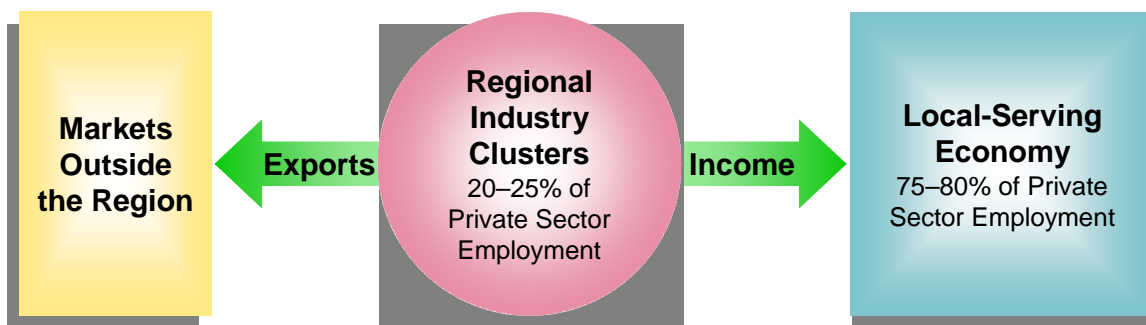
The Okanagan Sustainable Prosperity Strategy is focussing on our region's clusters. We recognize that our region's value-added is not produced by single firms, but by dynamic groups of firms. Therefore, we are focussing on ways to increase the connections and communication within industry clusters. We have identified opportunities to better align producers with suppliers and with foundations such as education, research and financial institutions. By strengthening existing clusters, both mature and emerging ones, we are bolstering industry competitiveness in the Okanagan.

3. Create Advantage—Catalyst for Innovation and Growth

Analysis by ICF has shown that high-performing regions—that is regions that are prosperous and sustainable, with competitive clusters—have developed distinctive advantages in their economic inputs. These advantages are created by having strong and responsive public and private institutions that supply industry with the inputs they need. These institutions, or "economic foundations," comprise systems for delivering adaptable human resources, accessible innovation, available financing, adequate physical infrastructure, advanced communications, an acceptable governance, and good quality of life. In each of these dimensions, a region needs to provide distinctive sources of advantage to meet the specific needs of each cluster.

In the Okanagan Sustainable Prosperity Strategy, the focus is on crafting new ways to create greater advantage by strengthening the region's economic foundations and their responsiveness to industry needs. As a result, the region is developing a "vital cycle" of economic growth. As illustrated in Figure 1-2, the relationships between the region's economic foundations and its clusters are dynamic, based on flexible and responsive linkages. The vital

cycle shows that as foundation institutions create advantages in inputs, clusters become more competitive and in turn, draw in more wealth and talent that benefit the entire region.

Figure 1-2.
The Vital Cycle
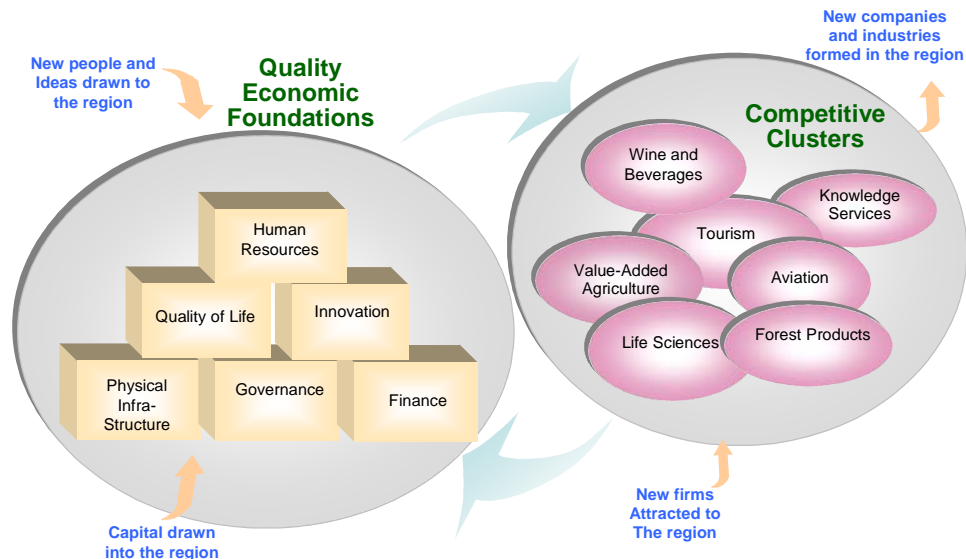
4. Work Collaboratively—Enable Advantage

High performing regions are distinctive because of the advantages they offer their clusters—whether innovation or lifestyle. Regions create these advantages through collaborative culture. Successful regions achieve cluster-advantage through flexible institutional relationships, and by making broader investments in their region's basic infrastructure. This is only possible when on-going decision-making processes are supported by a committed community as well as by the willingness of public and private institutions to work collaboratively. When these public and private stakeholders join forces to innovate and adapt they maximize the region's capability to participate in the global marketplace and further economic prosperity. When the community is willing to work together to invest in and enhance their surrounding community—both physically and socially—they become able to increase their regional sustainability.

Both of these collaborative objectives are goals of the Okanagan Sustainable Prosperity Strategy. Through this process, the region has discovered a new willingness to come together, to discover challenges that are shared, define actions on which to work together, and mechanisms to enable continuous improvement of competitiveness.

Process: Strategy Building Blocks

The Okanagan Sustainable Prosperity Strategy has been developed through four major phases of collaborative activity. These were:

- **Phase I. Mobilize—Engaging Stakeholders:** Getting the region's stakeholders—both public and private—to join in the strategy process.

- **Phase II. Analyze—Diagnosing Regional Performance:** Analysing the performance of our region's economy, the industry clusters that drive it, and, the economic input foundations that enable cluster competitiveness as a point of departure for strategy.

- **Phase III. Catalyze—Building Collaborative Strategy:** Convening the marketplace of each of our region's industrial clusters to define challenges, collaborative actions and implementation plans. This process produced individual cluster strategies and overall regional Flagship initiatives.

- **Phase IV. Realize—Plan and Start Implementation:** Establish the leadership and organizational support organization needed to keep cluster groups moving forward with their individual actions and identifying and starting the crosscutting Flagship Initiatives that will help improve the region's overall economic advantage.

How we carried these important phases out is described below:

Phase I. Mobilize

The Okanagan Sustainable Prosperity Strategy is successful to date because major stakeholders in our economy have been actively engaged from the start. From the beginning the Okanagan Partnership acted on behalf of the region to build a team that would shape the collaborative strategy. The Okanagan Partnership retained a consulting team (ICF Consulting) to work with our regional leaders to ensure that we followed best practices. ICF has had 14 years of experience assisting Canadian regions in their competitiveness strategies—from Ottawa to Edmonton. They provided the framework and technical analysis and facilitative process throughout this effort. The collaborative capacity of our region was then assessed, and business, community and civic leaders were alerted to the opportunities afforded by the proposed strategy process. A regional "stewardship group" was established to oversee the effort and a core management team was developed at the Partnership to co-ordinate and support activities.

Phase II—Analyze

Diagnosing the performance of our regional economy, identifying and assessing the competitive position of our industry clusters and evaluating the capacity of our economic foundation institutions was the next natural step in the strategy process. Our consulting team used specialized tools to reveal the structure, strengths and weaknesses of the economy, its component clusters and supporting economic foundations. The diagnosis consisted of four major components:

- *Economic Performance:* The consultants assessed the overall economic performance of the Okanagan region, as this is what all stakeholders are concerned with at the end of the day. Our region needs to know how well we are ensuring the prosperity of citizens, reducing disparity, and enhancing sustainability of our economy. A number of economic indicators were analysed in both a Canadian and North American context, and where data were available, sustainability and disparity measures were also analysed.

- ***Cluster Structure and Competitive Position:*** The consulting team developed a picture of our region's economic portfolio. For the first time we could see what our economy is made up of and how well we are performing compared to other regions. The team identified the Okanagan region's established and emerging industry clusters, defined their structure, benchmarked each cluster against other leading regional centres for each cluster and specified competitive challenges on which to work. These analyses were accomplished through cluster analysis methods and case studies.

- ***Economic Foundation Capacity Assessment:*** The consulting team evaluated the performance of the region's sources of economic inputs and identified target institutions that would be valuable participants in the cluster strategy development process. Their analyses focussed on the strengths and weaknesses of each of the region's categories of economic input foundations—adaptable human resources, accessible innovation, available finance, adequate physical infrastructure, acceptable governance, and achievable quality of life. The consultants drew their findings from quantitative indicators, comparisons with other regions, as well as interviews with numerous local institutions.

The diagnostic findings were presented to the Okanagan region stakeholders, leaders in business organizations and public institutions at the first regional "forum" event in Vernon on January 27th, 2004. The analyses provided the first overall story of how well the region has been performing, what has been driving that performance and where the region is strong or weak in ability to support that performance. These diagnostic findings have been used in the collaborative strategy process as a point of departure for participants to use in identifying the challenges they share and on which they are prepared to work together to find solutions.

Phase III. Catalyze

The truth of regional competitiveness strategy is that it can only be as good as the commitments made and the actions taken by participants. No amount of well thought out reports will automatically cause the behaviour of businesses and institutions to change so that they become more competitive. For this reason, as our stakeholders have learned and embraced, the Okanagan Sustainable Prosperity Strategy is focused on catalyzing and enabling small and continuous changes in the behaviour of our economy that will, taken together, become a "wave" of economic improvement. The competitiveness strategy process we have used has worked as follows. First, we have used the data from the cluster analysis in the diagnostic stage to identify the key cluster groups on which the strategy should focus. Then from this list the Okanagan Partnership invited and confirmed industry co-chairs for each

> "This is a good news story. The government is supporting this, but not actually running it. Being action-oriented doesn't allow us to cast off a problem—in this process, you concentrate on things you can do something about."
>
> Okanagan Partnership Co-Chair Brad Bennett
> quoted in *The Daily Courier*

cluster to anchor and oversee the strategy process for their group. The Okanagan Partnership and the consultants then briefed stewards and co-chairs on the mission and structure of the initiative, and then worked with them to build the participant groups for the three-step cluster strategy process and concurrent leadership process to develop Flagship Initiatives. The cluster groups are not simply panels of industry leaders. In our process cluster groups encompass industry producers, their suppliers and intermediaries, as well as the spectrum of institutions that support them—from universities and colleges to banks and transportation agencies. We call this process "convening the marketplace" because, when done well, the participants represent the sources of problems as well as solutions for competitiveness challenges. Consequently,

participants are in a position to understand the demand and supply issues facing both sides of the market and craft more realistic approaches to improvements—not simply wish lists.

Regional leaders believe that our Okanagan Sustainable Prosperity Strategy will be successful because the effort has been shaped by local stakeholders who have a strong commitment to collaborate. A series of three rounds of collaborative strategy cluster working groups were held. These groups comprised representatives from export industries, supplier industries and economic input institutions. The participants defined the competitiveness challenges they shared in common, identified the actions to address those challenges on which they were willing to work together, and developed business plans specifying how the action teams that had been formed would implement their initiatives. Our cluster working group process was very well received by the community. Each cluster working group had from approximately 35 to 85 participants. Well over 500 people participated overall. Both private companies, large and small, and public institutions were well represented at most meetings. The collaborative process that participants carried out included this sequence of steps:

- *Round One:* Identify shared cluster priority challenges.

- *Round Two:* Develop and prioritize potential collaborative action initiatives.

- *Round Three:* Finalize of action business plans and craft a vision of the future of the cluster based on successful achievement of collaborative initiatives.

The outcome of the Okanagan Sustainable Prosperity Strategy is the set of individual cluster competitiveness strategies that have been completed and the Flagship Initiatives arising from the next phase of activity.

Phase IV. Realize

The completion of the Okanagan Sustainable Prosperity Strategy has involved four steps that conclude with the start of strategy implementation. The priority focus for this phase of work is laying the groundwork for sustaining the momentum that has been already started through our strategy:

- *Develop Flagship Initiatives:* A crucial achievement of this strategy has been finding the common denominators for regional action. These crosscutting themes are issues on which the region can and must work together to enhance the advantages of the overall economy and sustain the quality of our home and are known as "flagship" initiatives—as they are larger in scope and size than many individual cluster action initiatives. The development of the flagships began after the second round of our cluster work sessions when the leadership group of stewards met with the co-chairs of each cluster working group to review their priority challenges and proposed actions. From the identified commonalities across the proposed actions a set of crosscutting "flagships" were identified that will benefit the entire region— serving as a rallying point for regional collaboration. These flagships are described in Section 6.

- *Design and Start of Implementation Mechanism:* No regional competitiveness strategy can succeed that does not have an organization dedicated to sustaining and maintaining the strategy's collaborative activities from the individual cluster groups and cluster action initiatives to the implementation of flagships. For this reason the most crucial outcome of the competitive strategy process, after the completion of the collaborative strategy, is the inauguration of a regional leadership group committed to moving actions forward. Over the

course of developing the Okanagan Sustainable Prosperity Strategy, regional leaders have committed to continuing and building the Okanagan Partnership as the vehicle for maintaining this initiative's forward progress. An initial mechanism for sustaining the Okanagan Sustainable Prosperity Strategy is now in place. The elements of this implementation strategy are presented later in this report.

- *Prepare Competitiveness Strategy Report:* Once the Okanagan region's portfolio of cluster competitiveness strategies was completed, the groundwork for flagship Initiatives was laid in place. The implementation mechanism for moving the strategy forward was also developed and these elements were integrated into a strategy document—this document and its appendices containing actual action business plans. The Okanagan Sustainable Prosperity Strategy is the record and blueprint of the collaborative commitments that have been articulated through the extensive strategy process. How well we are able to sustain our commitments to competitiveness initiatives will be a reflection of the improvement in collaborative culture that this strategy process has achieved.

- *Start-up of Action Implementation:* With the Okanagan Sustainable Prosperity Strategy now complete, the regional initiative launches implementation beginning with the second regional "forum" event at which regional stewards, cluster co-chairs and action team members describe how the initiatives of this effort will move forward. From this point forward, the Okanagan Sustainable Prosperity Strategy will be managed by the Okanagan Partnership, who will continue to convene regional leadership, pursue development of crosscutting flagship Initiatives, build and support cluster networks, provide technical assistance to cluster action teams and monitor regional progress.

Expectations: Small Solutions, Not Grand Illusions

Collaborative regional strategies are not about reports or committees. Successful strategies are about learning how to change again and again. The actions developed to enhance the Okanagan region's clusters are practical and necessary. If there is significant progress on implementing the plans, each cluster will advance. Through this initiative participants have come to learn that successful regions achieve their goals, not because of an external agency, but because the people and their institutions and organizations are capable of seeing the world around them differently and are willing and able to change. These changes are never easy, but each time a change is accomplished that accomplishment reinforces the value of undertaking further actions. The Okanagan region is rich in quality of life and intellectual assets that have only started to be developed and harnessed. The Sustainable Prosperity Strategy may be forgotten but the shift in regional behaviour towards collaborative entrepreneurship that this effort has started can power the region forward to its next generation.

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2. Point of Departure: How Our Region Has Been Performing

Measures of a High Performing Region

Economic strategy begins with a clear sense of how the region has been performing in the past, and what its primary challenges are. Regional performance is not a one-dimensional concept, however, and its assessment needs to go beyond traditional economic indicators.

For these reasons, this report considers three dimensions of regional performance.

- Prosperity
- Disparity
- Sustainability.

Prosperity

Prosperity refers to the ability of a region's economy to provide its residents with their material wants and needs. In practical terms, prosperity is closely tied to issues of employment, income, and business growth. The following indicators were examined to assess the region's prosperity:

- Population growth and migration
- Employment and unemployment
- Employment income
- Entrepreneurship.

Population Growth and Migration

Over the past two decades, the Okanagan has been a growth leader within British Columbia. Growth across the Province has slowed considerably since the mid-1990s, after a decade of greater than 2% annual growth. The Okanagan grew very rapidly during the first half of the 1990s, with growth averaging more than 3% a year. The region has followed the Provincial trend and lowered its population growth rate since 1996, however.

Figure 2-1.
Average Annual Population Growth: Okanagan and Other B.C. Regions, 1986–2002
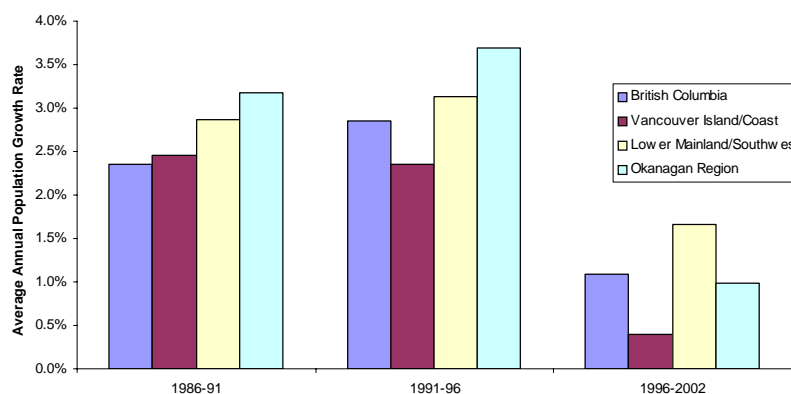
In terms of the future, the Province is projecting relatively rapid population growth in the Okanagan to continue for the next 30 years. The Okanagan's projected population growth rate will exceed the Lower Mainland's, and BC overall, over the next two decades, and will approach the Lower Mainland from 2022-2031.

Migration has traditionally been an important component of the region's population growth. In 1991/2, for example, the region net immigration exceeded its total population growth. However, in the last few years, the population has suffered net out-migration to other Provinces. This suggests many people are also moving out of the Okanagan to other Provinces.

Two major population flows have characterized the Okanagan's recent history: the flow of older Canadians into the region in search of a desirable retirement lifestyle, and the flow of younger Okanagan natives out of the region in search of economic opportunity. The first flow has been a significant contributor to the region's tourism and health services infrastructure; stemming the second flow is a major challenge for the region in the global knowledge economy.

The region's migration pattern has had an effect on its demography. The Okanagan has a higher percentage of women, especially of child-bearing and working age. The region's relative weakness in male-dominated industries such as manufacturing may be encouraging working-age men to leave the region. This, too, is an unsustainable feature of the region's economy that needs to be addressed with a balanced economic development strategy targeting emerging as well as existing strengths.

Employment and Unemployment

Unfortunately, official unemployment statistics were only available for the Thompson-Okanagan economic region, which actually covers a wide diversity of economic conditions. For most of the past decade, unemployment in the Thompson-Okanagan economic region has lagged above the rate for both British Columbia, and Canada. The unemployment reduction which began in the early 1990s in Canada and B.C. came later in Thompson-Okanagan, and has been less pronounced.

For the most part, however, the unemployment picture was brighter in the Okanagan than the Thompson, especially in Central Okanagan. For most of the past decade, the unemployment rate in Kelowna was significantly lower than it was in Kamloops.

Figure 2-2.
Unemployment Rate in Kelowna and Kamloops, 1995–2002
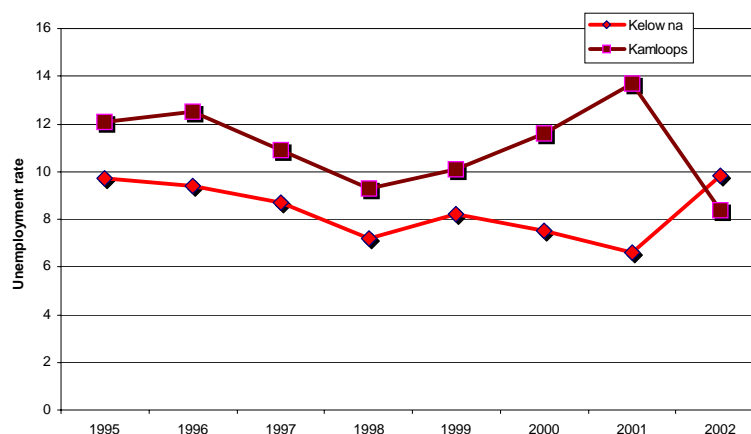
Employment Income

The Okanagan's "Sunshine Tax" is well-known: residents are reputedly willing to accept lower wages to enjoy the region's quality of life. Census data confirms that earnings are relatively lower in the Okanagan.

Figure 2-3.
Average Income, All Persons with Income:
Three Okanagan Regional Districts and British Columbia, 1996 and 2001
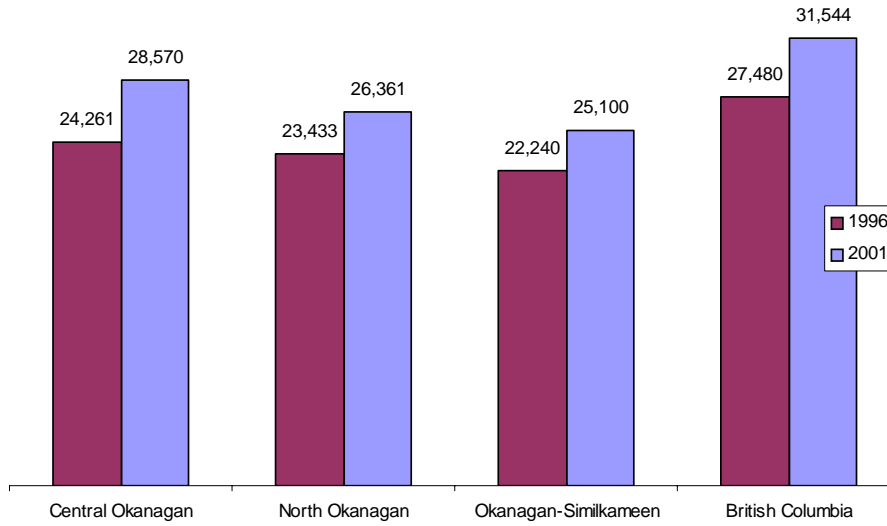
But the situation has changed as the region has grown. The gap between the rapidly-growing Central district and the B.C. average is less than $3,000. However, the northern and southern districts of the region still lag considerably behind the Provincial average.

Entrepreneurship

Entrepreneurship is difficult to measure directly, but anecdotal reports suggest it is strong in the Okanagan. Many people move here for the climate and lifestyle in the region, and start businesses to support themselves.

An analysis of new incorporations, as a percentage of the number of existing establishments, however, suggests otherwise. Each year, new incorporations totalling 14% of all establishments are started across the Province. In the Okanagan, the number is less than 10%.

Figure 2-4.
Entrepreneurship in the Okanagan:
New Incorporations as a Percentage of All Establishments with Employees,
Okanagan Region and British Columbia, 1993–2002
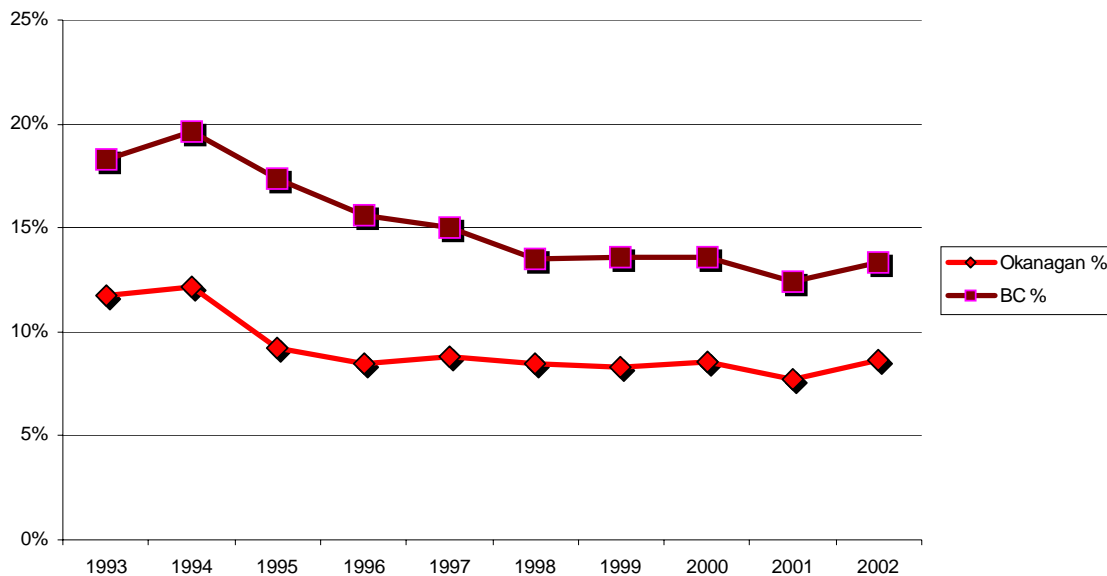
This suggests entrepreneurship in the Okanagan may not be as pervasive as conventionally believed, despite many impressive success stories. Since successful industrial clustering is most often associated with a culture of entrepreneurship, this could be an important priority for the region going forward.

Summary of Prosperity in the Okanagan

The Okanagan has been a reasonably prosperous region, with healthy rates of growth compared to other parts of the Province. The central district, in particular, has seen significant changes over the past ten to fifteen years.

However, not every indicator of prosperity is positive, indicating that significant challenges continue to exist. Wages are lagging the provincial average despite growth. There is a need to create quality jobs to ensure educated youth stay in the region. Moreover, growth and wages are not well-distributed across the Okanagan: While the North and South are growing faster than the Thompson, there is inequality within the region.

Overall, the evidence suggests that the region needs to move from rapid growth to smart growth, with higher wages and better spread across the region.

Disparity

The economic growth that generates prosperity can threaten sustainability if it aggravates social disparity and exclusion, or creates a sense of a widening gulf between "haves" and "have-nots". Broad-based support for regional economic strategy is essential, if a region is to be able to maintain a long-term focus on its fundamental objectives.

Several indicators of regional disparity are useful to review, including:

- Income Distribution
- Incidence of Low Income Families
- Rental and Owner-Occupied Housing Costs.

Income Distribution

As a relatively low-wage region with many wealthy retirees, the Okanagan is felt by many to have an uneven income distribution. However, in comparison to British Columbia as a whole, the Okanagan has a higher percentage of individual returns in the $10-$30,000 range, and a lower percentage in the < $10,000 and > $50,000 categories.

Differences between First Nations and Non-First Nations populations are an important source of inequality in the Okanagan. On average, First Nations people earn significantly less than Non-First Nations in the Okanagan, and in British Columbia more broadly. In the Okanagan, average per capita employment earnings for First Nations was only 67% of the average for the non-First Nations population. This was marginally better than the 64% ratio seen Province-wide

Gender is another source of inequality in the region. The chart to below indicates the ratio of average earnings of women, to those of men, for the three Okanagan regional districts and B.C. as a whole. Only full-time employed people are considered, to correct for gender differences in full vs. part-time work. The chart shows large gaps between male and female earnings, although two of the three regional districts perform slightly better than the Provincial average.

Figure 2-5.
Ratio of Average Female-to-Male Earnings:
Three Okanagan Regional Districts and British Columbia, 2001
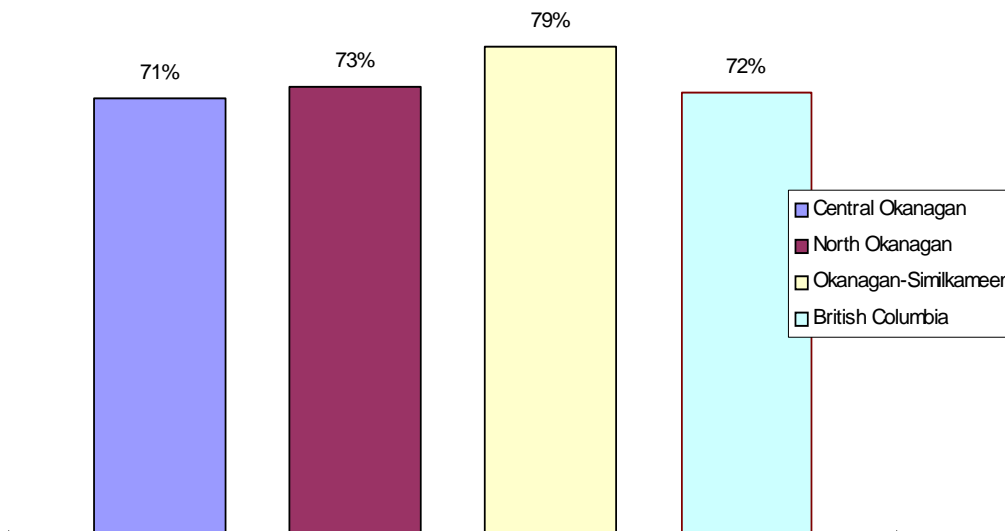
Incidence of Low Income Families

According to the 2001 Census, all three regional districts in the Okanagan valley have a lower incidence of low income people in private households than the B.C. average. It is noteworthy that the low income incidence rate is lowest in the fast-growing Central Okanagan region, suggesting that the region's recent growth has also brought greater prosperity.

**Figure 2-6.
Incidence of Low Income Population in Private Households, 2000**
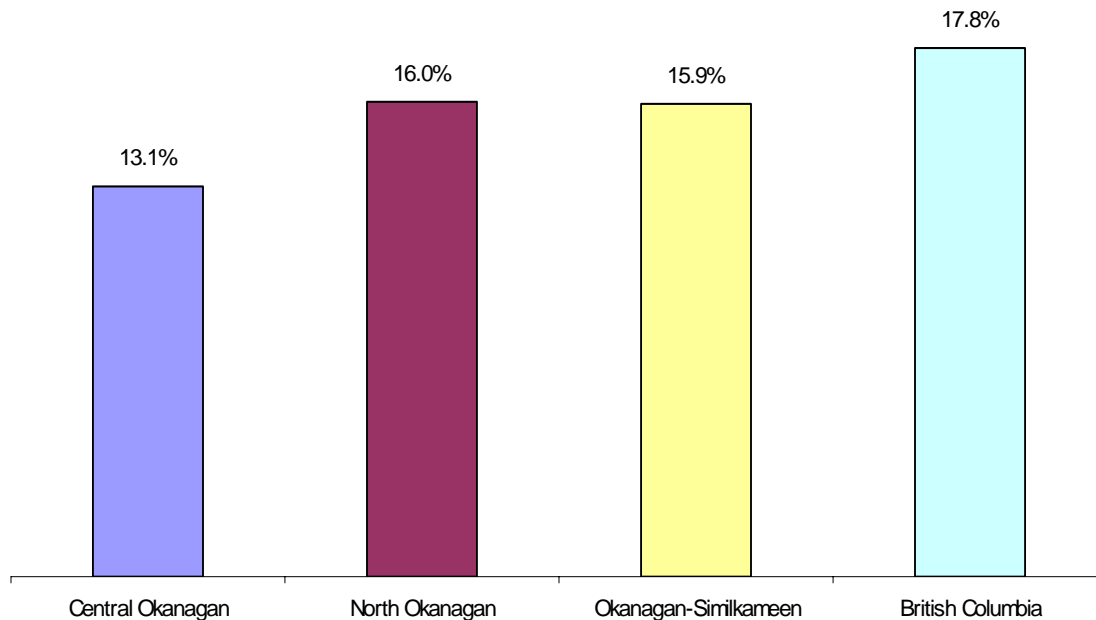
Rental and Owner-Occupied Housing Costs

Although wages in the Okanagan are significantly lower than they are in the Lower Mainland, rental housing is not a bargain, particularly in the Central Okanagan. In the Central region, median gross rent is nearly equal to the Provincial average. Median rents are lower in the North Okanagan and Okanagan-Similkameen.

The cost of owner-occupied housing varies much more across the Province, and is relatively much less expensive in the Okanagan. While the median cost of a house in Greater Vancouver is almost $300,000, in the Central Okanagan is it less than $200,000. Both North Okanagan and Okanagan-Similkameen have a median price of less than $165,000.

Summary: Disparity in the Okanagan

While the Okanagan is marginally more equitable than B.C. as a whole, significant income disparities, gender disparities, and aboriginal/non-aboriginal disparities exist. Rental housing is considerably less affordable than owning a home in the Okanagan. This burden falls disproportionately on lower-income residents. In addition, balancing the supply of rental and owner-occupied housing may promote a more compact, sustainable urban development.

The region must ensure that its efforts to promote smarter growth are inclusive and balanced.

Sustainability

While the goal of a well-conceived regional economic development strategy is sustainability, the term particularly refers to the relationship between human society and the environment.

In the Okanagan, this relationship is of critical importance. The region is both a fragile eco-system and a distinct geographical region with a limited water supply and limited ability to disperse air pollutants. Economic and population growth impacts these and other aspects of the environment in fundamental ways.

Two types of environmental indicators are profiled in this section:

- Water Supply and Quality
- Species at Risk / Ecosystem Protection.

Water Supply and Quality

In the Okanagan watershed, the percentage of licensed stream length that is restricted far exceeds the Provincial average, and has increased significantly as the region has grown. This indicates the intensity of water use in, pressures on water supply and the intensity of water management that is required to maintain that water supply.

Figure 2-7.
Percentage of Licensed Stream Length with Use Restrictions,
Okanagan Watershed and All British Columbia, 1950–2000
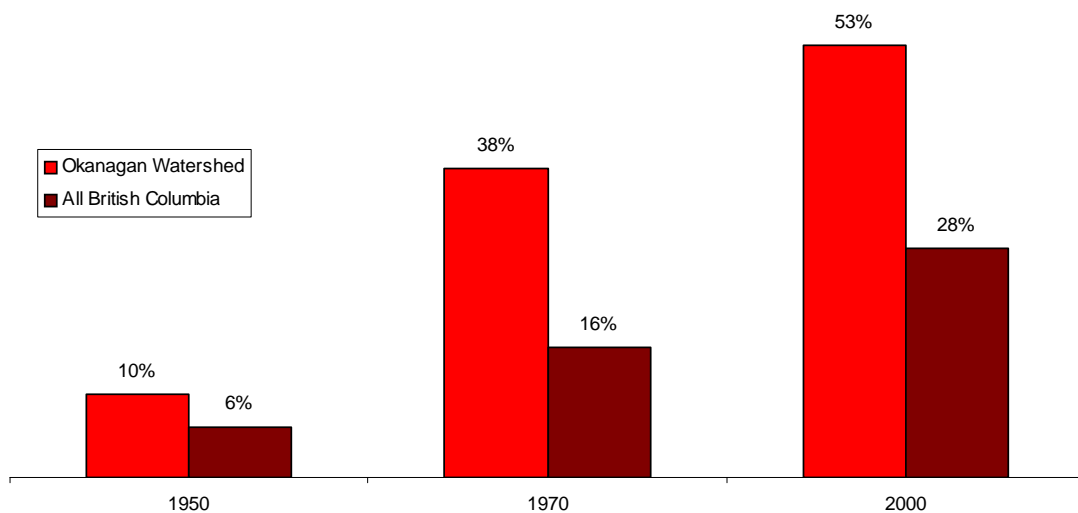
Species at Risk / Ecosystem Protection

The greatest threat to species at risk in is habitat loss through encroaching urban activity and resource use. Biodiversity is a critical component to the survival of an eco-system, and, among other things, the social and economic activities that depend upon it.

The Southern Interior—an ecological region that includes the Okanagan valley—has a high level of biodiversity, and mostly rapid urban development. Consequently it has more species at risk than anywhere else in the Province.

Summary: Environmental Sustainability in the Okanagan

The Okanagan has experienced rapid growth and will grow further: now it must plan regionally for smart growth. The region's natural features: aridity, limited air circulation, and rich biodiversity—limit its capacity to adapt in the future to the impact of short-sited growth decisions made today.

The region's growth, and pattern of development, has led to rising auto pollution, water restrictions, and a loss of bio-diversity. All of these impact quality of life, and eventually, its competitiveness. For, as we will see in the next section, the Okanagan's future prosperity fundamentally depends on the quality of its environment, and the region's ability to successfully balance these two goals.

Conclusions: Risks on the Road Ahead

The Okanagan—in particular the Central Okanagan—has experienced rapid growth in recent years, and has reaped some of the traditional benefits associated with growth: rising incomes and economic opportunities.

The challenge for the region is to shape and manage the process of growth so as to ensure that its long-term prosperity, disparity, and sustainability challenges are addressed.

In terms of prosperity, the Okanagan can expect continuing population growth but needs quality jobs to retain youth and improve economic opportunities.

With respect to environmental sustainability, the Okanagan risks damage to its unusually fragile environment if it does find ways to grow that minimize the threats to air quality, water quality and quantity, and wildlife habitat.

In terms of disparity, the Okanagan is marginally more equitable than British Columbia as a whole, but needs to make more progress in building a mutually beneficial future for women and First Nations in the region.

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3. The Okanagan Region's Cluster Portfolio

Industry clusters are the engines of the Okanagan regional economy. Clusters are led by export-oriented lead industries, supplied by local supplier companies, and supported by an array and public and private institutions. They compete in markets outside the region—across Canada, North American, and the world—and their competitiveness in these markets largely determines the prosperity of the entire region.

For this reason, there is a general public interest in ensuring that these clusters succeed, and they are important focal points for regional economic strategy. Cluster-based economic development is not about the government "picking winners", as an older generation of state-led economic development tried to do. Rather it is about creating a customized economic development strategy that reflects the existing strengths of the Okanagan, and recognizes that its actions and initiatives must be tailored to the specific needs of its economy.

Identifying the Okanagan's Industry Clusters

The research behind this report identified seven significant industry clusters in the Okanagan region. These seven were determined by examining detailed employment-by-industry statistics in the Thompson-Okanagan economic region. In order to be designated as a cluster, an industry or group of industries had to be a clear economic strength of the region, resting on a pre-existing competitive advantage. Empirically, the best way to determine this is by looking at how specialized the Okanagan is in the industry: if the region has twice as many people employed in the industry as the Canadian average, that is probably due to some long-standing competitive advantage of the region which can serve as the basis of a cluster strategy.

One cluster, Knowledge Services, was included in the strategy as an emerging industry, or a "cluster of the future." It was included because its employment growth rate over recent years was significantly higher than the Canadian average, reflecting some emerging competitive advantage of the Okanagan in that set of industries.

The seven clusters identified were:

1. Aviation
2. Forestry and Wood Products
3. Life Sciences
4. Knowledge Services
5. Tourism
6. Value-Added Agriculture
7. Wine and Beverages.

A Growth-Share Matrix like the one shown here is a useful way to summarize the competitive performance of industry clusters. It shows three things simultaneously: the region's level of specialization, indicated by the location quotient; the industry growth rate, and the total employment, shown by the size of the bubble.

Most of the Okanagan's clusters are in the "Winner's Circle"—positive growth and high concentration.

Figure 3-1.
Okanagan Industry Clusters Average Annual Growth Rate, 1995–2002
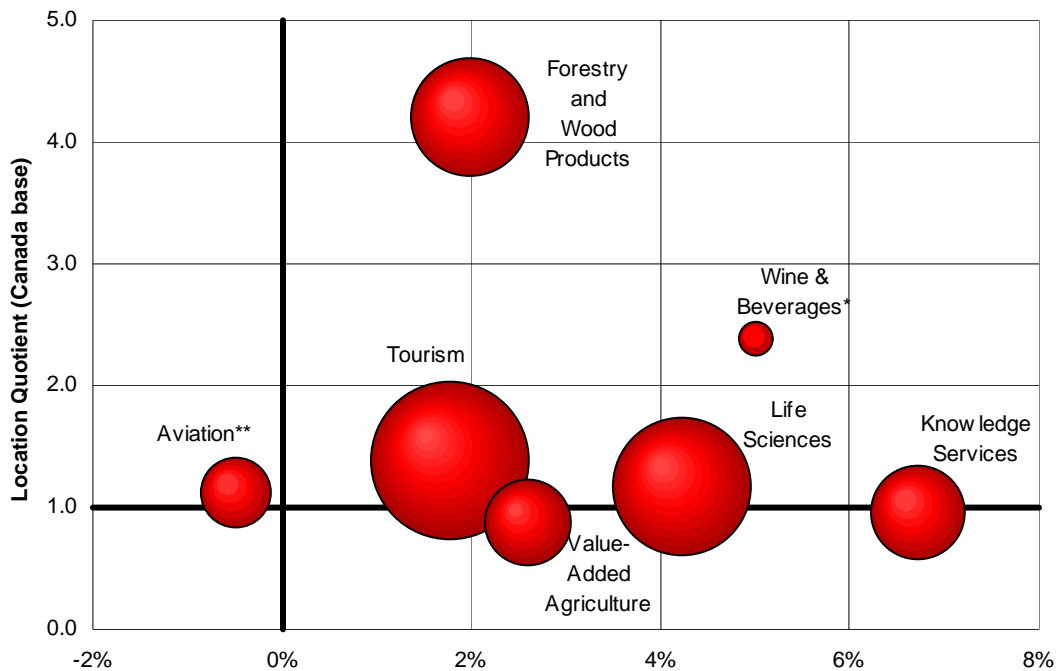
*   *Only wine and beverage manufacturing included, not distribution and retail. Growth rate for wine and beverages is from 1996–2002.*

**   *Aviation includes all repair and maintenance, all air services, and all rental and leasing services.*

More detailed overviews of each of the seven clusters are provided in the following sections.

Aviation

The Okanagan has developed a small but significant cluster in airplane maintenance and related air services. Although the cluster is difficult to measure with aggregate data, there are signs that the region's non-routine repair and maintenance capabilities have allowed it to start some aerospace manufacturing activities.

Aviation is another cluster largely driven by tourism. The primary activity is the "heavy-duty" unscheduled maintenance of increasingly large and sophisticated aircraft.

There is also some manufacturing of parts and avionics, and this could be a longer-term strategic focus. Manufacturing is a more profitable approach for many companies in the region—the key issue is getting licensed as a manufacturer by a leading designer...and eventually, to bringing the design part of the value chain to the Okanagan.

The airport system in the region is another enabler of the cluster. As arrivals to airports have increased, maintenance and repair activity has expanded, supporting larger aircraft and a broader variety. This is turn has deepened the expertise in the region, helping to develop the skills base for further diversification.

Forestry and Wood Products

One of the largest clusters in the region, Okanagan's forestry and wood products cluster includes both basic resource extraction and a considerable degree of specialized, value-added manufacturing.

Table 3-1.
Forestry and Wood Products Employment, 2002

Industry	Employment, 2002	Location Quotient, 2002
Wood Products Manufacturing (NAICS 321)	9,300	3.9
Forestry and Logging (NAICS 113)	3,400	7.2
Support Activity for Forestry and Logging (NAICS 1153)	1,800	6.2

Forestry is a very large part of the overall B.C. economy and many clusters across the Province are performing extremely well. Forestry and Wood Products in Thompson-Okanagan is outpacing the North American average job growth rate, unlike the more value-added-focused clusters in the Lower Mainland.

Figure 3-2.
Cluster Growth Share Matrix for the Forestry and Wood Products Cluster:
Thompson-Okanagan and Competing Clusters
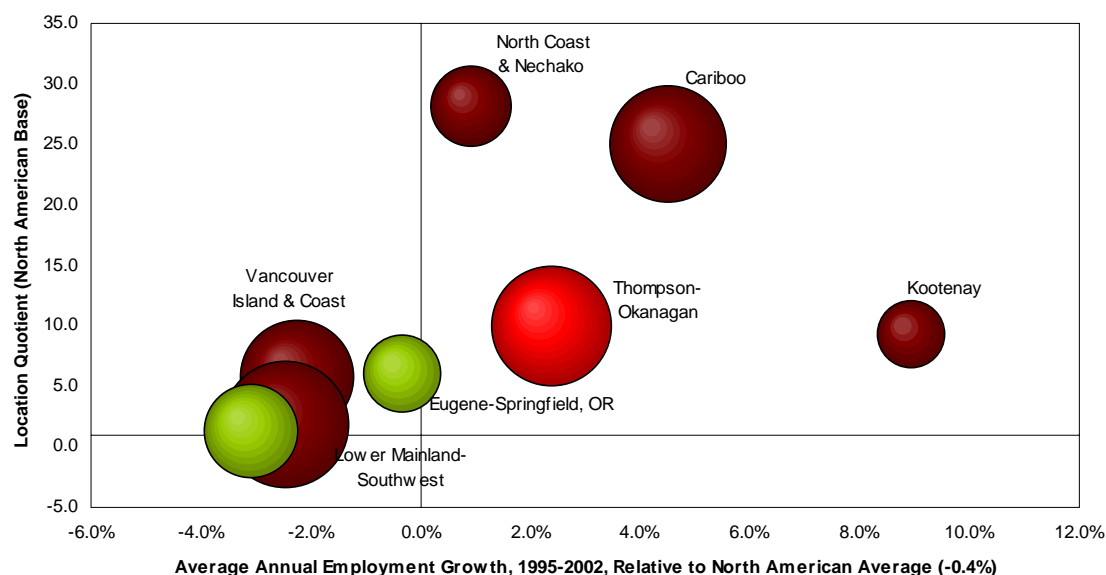
As in agriculture, the need to identify value-added areas of growth has been a Provincial priority for several years. In the Okanagan, there are many success stories in the region—although they generally build on internal competencies more than broad regional strengths. As in other clusters...harnessing success will be a major challenge.

In addition, there has been something of a disconnect between the volume of wood exported by the primary producers, and the smaller volumes required by the value-added producers. Most wood products intermediaries are outside of the region, but strengthening the local wholesaling capacity could create the small-scale inventory needed by smaller value-added producers.

Knowledge Services

There are several rapidly growing knowledge-based service industries in the Okanagan region. These industries share a common need for skilled labour and a high quality of life, and in this sense they may be viewed as an industry cluster. They include professional services such as law, accounting, and consulting; technical services such as engineering and software development services, and other business services such as advertising and public relations.

Beyond their role as a source of new jobs, continued growth of these knowledge services may have a catalytic effect in moving the Okanagan towards a higher value-added economy in the future.

Table 3-2.
Knowledge Services Employment, 2002

Industry	Employment, 2002	Location Quotient, 2002
Professional, Scientific, and Technical Services (NAICS 541)	8,900	6.70%

Knowledge Services is an emerging cluster in the Okanagan region. It does not yet have the critical mass of larger metropolitan areas, but in job terms it has grown faster than leading technology centers such as Vancouver, Seattle, and Boise since 1996.

Figure 3-3.
Cluster Growth Share Matrix for the Knowledge Services Cluster:
Thompson-Okanagan and Competing Clusters
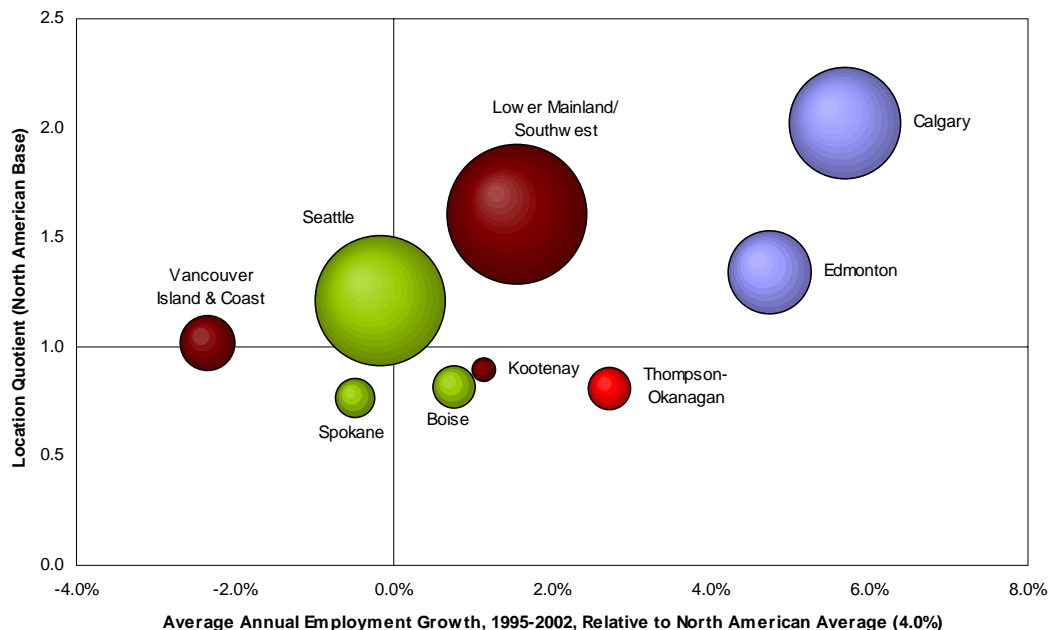
According to interviews with executives in this cluster, quality of life is a key source of competitive advantage for the region, particularly since technology has now allowed the much knowledge-based work to be outsourced and decentralized from larger metropolitan areas.

The region's accessibility by air and its telecommunications offer the ability to serve distant clients, and the region's relatively low wages translate into low cost of operation.

A key challenge for the region is developing a distinctive profile for the cluster, and specialized competitive advantages. Tight linkages with leading customers in the region can produce innovative solutions that may later be exported: local synergies often lead to global competitiveness in knowledge service clusters.

Life Sciences

Okanagan is well known for its strengths in health care, which is a major attractor for retirees. Its critical mass of medical professionals can lay the basis for a life sciences cluster based on medical research, medical products, or health-related services.

In addition, health-based agricultural products, including nutraceuticals, are an important branch of this cluster that is not captured in the data.

Table 3-3.
Life Sciences Employment, 2002

Industry	Employment, 2002	Location Quotient, 2002
Ambulatory Health Care Services (NAICS 621)	6,000	1.2
Hospitals (NAICS 622)	9,200	1.2
Nursing & Residential Care Facilities (NAICS 623)	4,200	1.1

The nature of the health funding system in Canada means Life Sciences clusters with a heavy health care component, like Okanagan's, do not compete head-to-head with providers in other regions. Nevertheless, the growth of life sciences in Thompson-Okanagan compared to the cluster in the Lower Mainland and Victoria is encouraging and is testament to the region's developing competencies in this area.
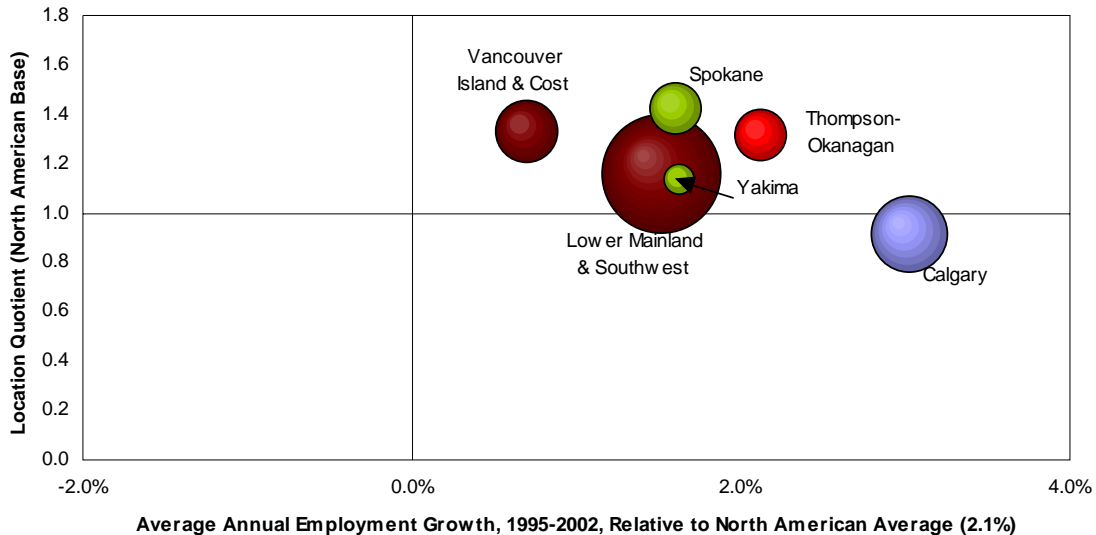
Key strength of the life sciences cluster is the quality of health care in key specialties. Ultimately this is driven by its attractiveness to retirees.

Certain aspects of the Okanagan's Health Region offer a large standardized database to support population-based research. This and the region's patient profile make it a very interesting place for clinical research. Some have recognized this potential as a "Living Laboratory" and research collaborations are already underway.

Another aspect of the cluster is nutraceuticals, which is supported by research activities at the Pacific Agri-Research Centre (PARC) and OUC and is a high-growth area globally. The region's agricultural background makes this an ideal target.

Tourism

Tourism is Okanagan's largest cluster, driven by a broad set of attractions including wineries and farms, amusement and recreation services, performing arts and culture, carnivals and festivals, and heritage institutions.

Tourism is becoming a key marketing channel and source of revenue to more established clusters in the Okanagan, including Wine and Beverages, and Value-Added Agriculture.

Table 3-4.
Tourism Employment, 2002

Industry	Employment, 2002	Location Quotient, 2002
Arts, Entertainment, and Recreation (NAICS 71)	4,000	0.89
Accommodation and Food Services (NAICS 721-722)	21,400	1.6

Tourism revenue has grown rapidly in all three Okanagan regional districts since 1995. A key enabler of this growth has been expanded and lower-cost service from Kelowna airport beginning in the mid-1990s.

However, revenue growth has continued even after air arrivals have levelled off after 1998. This suggests that the region is moving up the value chain by deriving more revenue from each visitor, by improving the product and extending stays.

Figure 3-5.
Annual Room Revenue in Okanagan (000s0
and Annual Arrivals at Kelowna Airport, 1995–2002
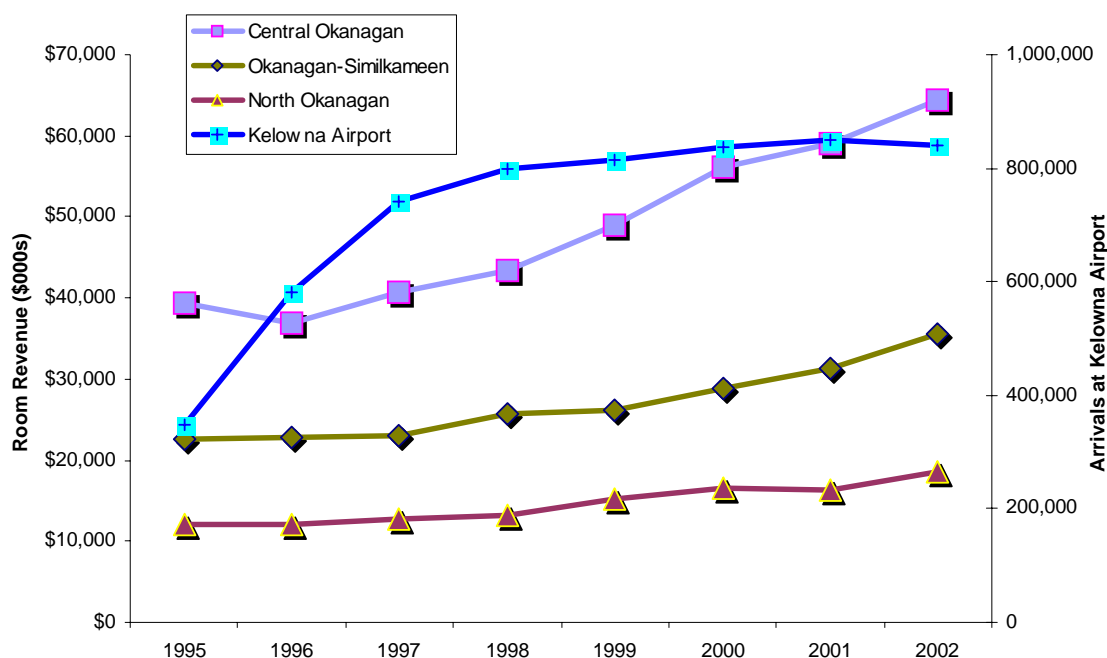
Room revenue Growth has been especially rapid in the Central Okanagan, which has surpassed Greater Vancouver, Victoria, and the Provincial average since 1995.

Growth has been rapid across the Province, however, so the Okanagan cannot take competitive success for granted in the future.

Figure 3-6.
Average Annual Growth in Tourism Room Revenue:
Five B.C. Regional Districts and the Provincial Average, 1995–2002
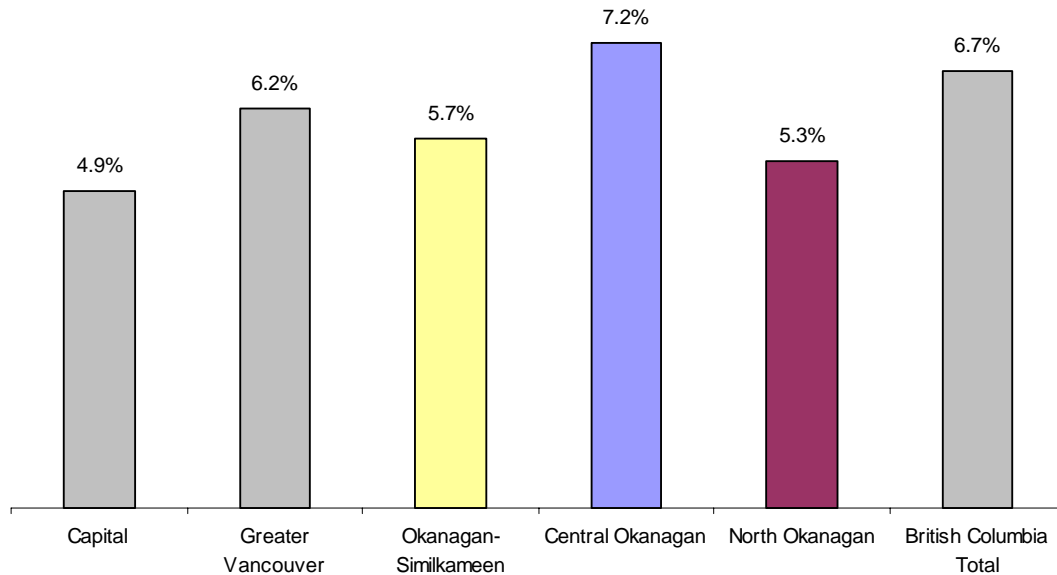
Despite the region's rapid growth in tourism, other clusters in B.C and Alberta are outpacing Thompson-Okanagan.

Figure 3-7.
Cluster Growth Share Matrix for the Tourism Cluster:
Thompson-Okanagan and Competing Clusters
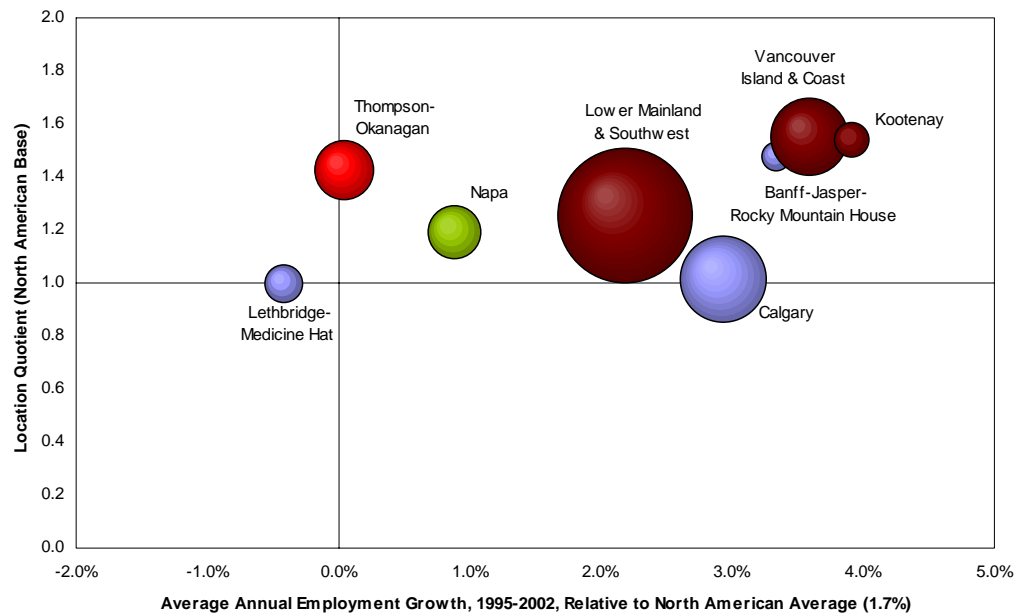
Trends in Okanagan tourism are positive, but there is significant room for further development. Since 1995 roughly, tourism has increased rapidly in terms of arrivals and economic impact, although less so in employment.

The cluster has moved up the value chain and become broader as well. Longer stays, coupled with increasing spending per visitor/day, has sustained a more differentiated product.

Tourism is strategically related to several other clusters, especially wine, value-added agriculture, and aviation. Tourism faces major future challenges which range from threats to quality of life, increasing traffic and ensuring a range of transportation choices to increasing the various tourism organizations' capacities to improve and strengthen marketing and identifying complementary roles for municipalities in the region.

Value-Added Agriculture

While agriculture has long been a mainstay of the regional economy, Okanagan has not developed a substantial downstream food processing industry. Employment in food manufacturing is only 26% of the Canadian average for a region of its size.

Table 3-5.
Value-Added Agriculture Employment, 2002

Industry	Employment, 2002	Location Quotient, 2002
Food Manufacturing (NAICS 311)	900	0.3
Agriculture and Support Activities (NAICS 111, 112, 1151, 1152)	5,800	1.3

Increasing urbanization has driven up the price of land and encouraged agricultural conversion, and the farm value of apples, the region's most important agricultural product historically, has tended to decline over the past three decades.

Figure 3-8.
Total Farm Value of Apples Marketed (Real Dollars):
British Columbia, Ontario, and Quebec 1973–2003 ($000s)
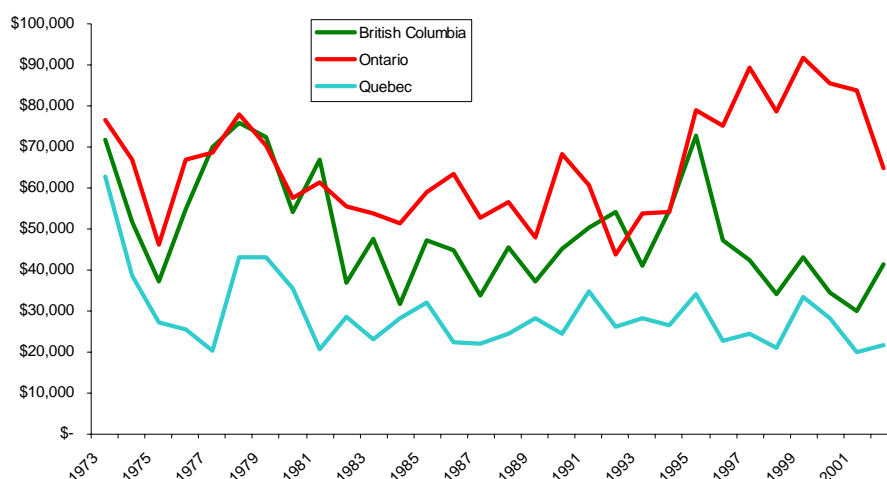
Traditionally, value-added agriculture was seen as a secondary channel for the region's agricultural produce. The region's location and transportation infrastructure have inhibited a large-scale food processing industry, although there are successful exceptions. Because the downstream food processing activities are such an important source of jobs in the industry as a whole, job growth in the Okanagan has not kept pace with the Lower Mainland—although it has outpaced growth in similar regions in Washington.

Figure 3-9.
Cluster Growth Share Matrix for the Added-Value Agriculture Cluster:
Thompson-Okanagan and Competing Clusters
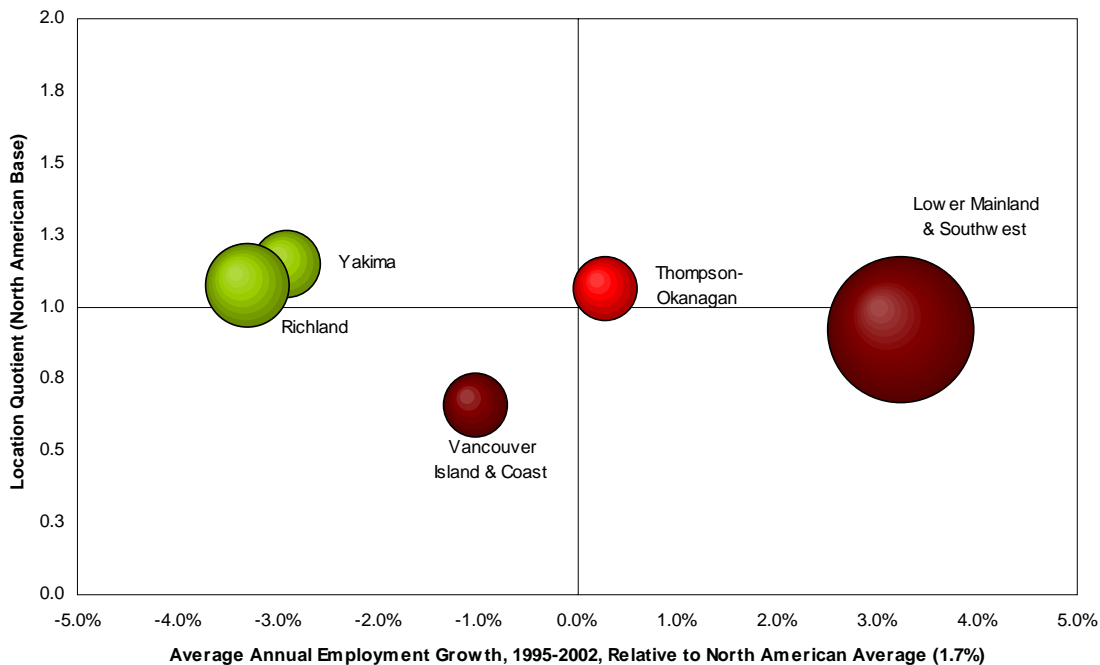
Population growth in the valley has driven up land prices, while at the same time global competition has driven down prices for bulk, easily transportable agricultural products.

In the face of these trends, the region must focus on continually introducing new and improved crops that offer higher revenue. Together with agricultural-tourism and selected downstream activities, higher value-added product is the key to future growth in the cluster.

This strategy, in turn, will depend as much on the region's ability to produce, disseminate, and absorb agricultural innovation as it will on the region's soil and climate. Ironically, the industry that most represented the resource-based past of the Okanagan economy may also represent its knowledge-based future.

Wine and Beverages

Wine is a significant export industry in the Okanagan region, and its employment concentration is over 100% higher than the national average for this manufacturing industry, when other Beverages (beer, juices) are taken into account.

The wineries of the region are clearly linked to distribution and tourism activities and involve First Nations and non-First Nation populations within the Okanagan.

Table 3-6.
Wine and Beverages Employment, 2002

Industry	Employment, 2002	Location Quotient, 2002
Beverage Manufacturing (NAICS 3121)*	1,200	2.4
Food and Beverage Wholesaling (NAICS 413)*	1,700	1.4
Food and Beverage Stores (NAICS 4453)*	6,000	0.9

Table 3-7.
Growth Share Matrix for Wine and Beverage Manufacturing:
Thompson-Okanagan and Competing Regions
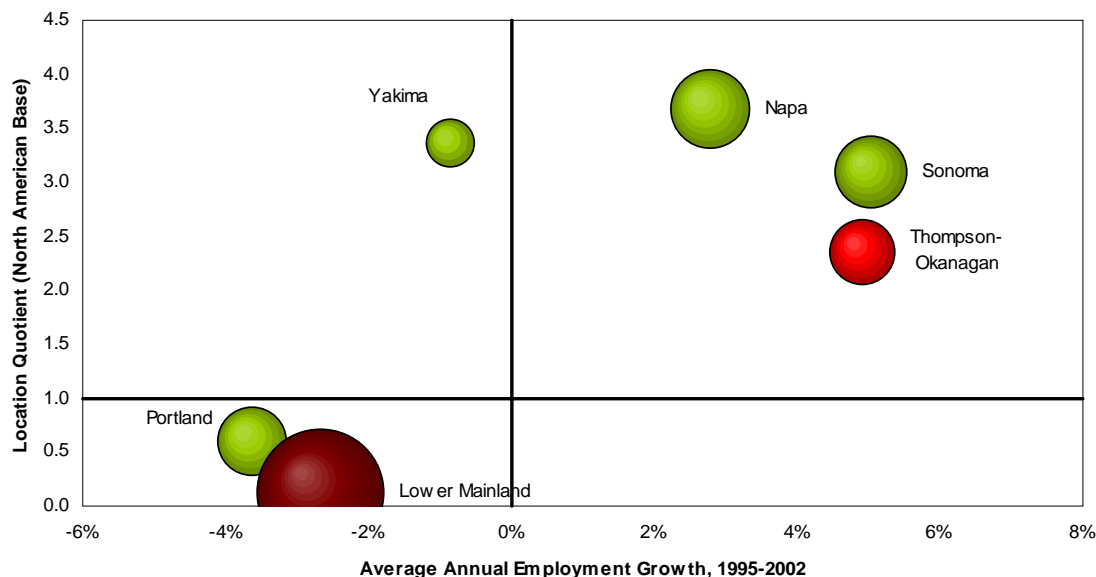
The B.C. wine industry has restructured significantly since the advent of free trade with the U.S. VQA—Vintner's Quality Alliance—has been a critical component of the Federal and Provincial strategy to improve the quality and global competitiveness of Canadian wine.

The Okanagan region produces the vast majority of all wine in British Columbia. Within B.C., the volume of wine being produced that is VQA-compliant has been increasing rapidly. This is a sign that the wine cluster within the Okanagan has been positively responding to the challenges of globalization and increasing openness.

Figure 3-10.
Volume of VQA Wine Produced in British Columbia, 1991/92–2003/04
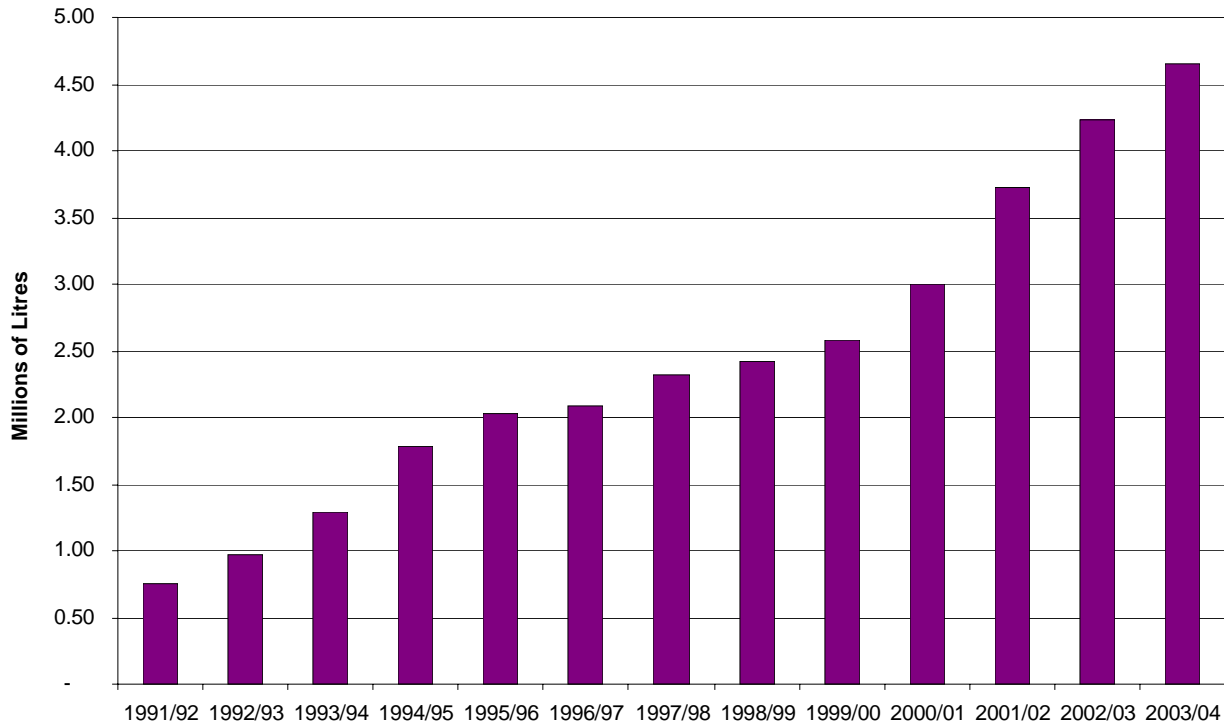
In turn, the average price of B.C. wine per bottle, after inflation, has been increasing in line with the rising quality of the product. This trend of rising prices and rising quality will need to continue, since as a relatively low-volume wine producing region, the Okanagan will need to be globally competitive on the basis of quality.

Most B.C. wine is marketed within Provincial markets with most of the remainder selling throughout the rest of Canada. This chart indicates market share in dollars in B.C., Ontario, and Canada as a whole in terms of VQA, non-VQA, and imported table wine.

Figure 3-11.
Wine Market Share (in $) in BC, Ontario, and Canada, 2002:
VQA, non-VQA Cellared in Canada, and Imported
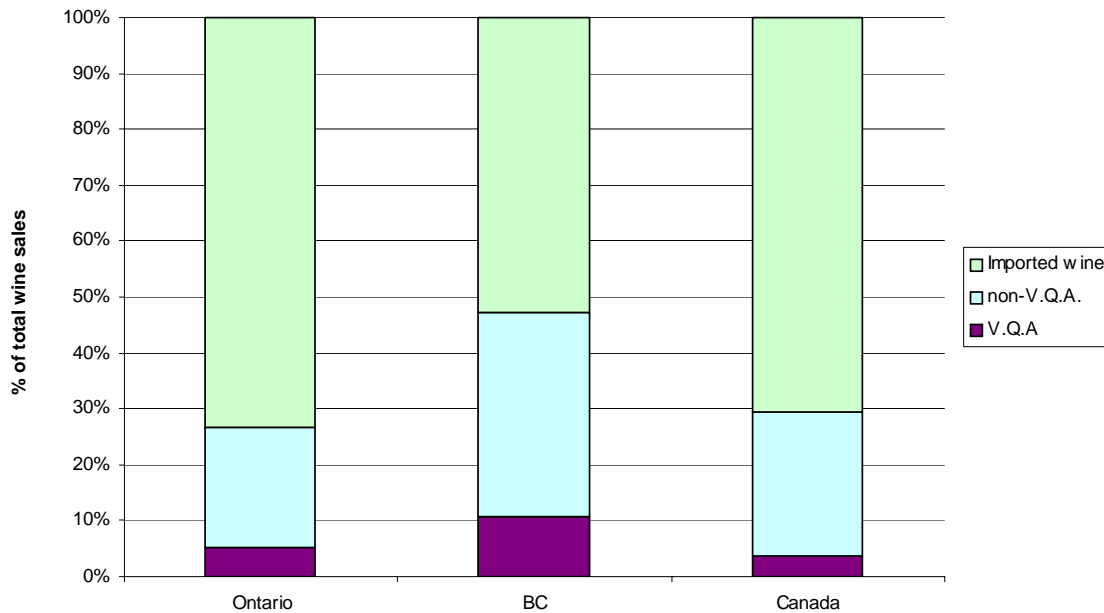
VQA has a much higher market share in B.C., as does Canadian wine overall. This suggests the B.C. market is receptive to the industry's branding and quality efforts.

Okanagan is the largest wine-producing region in British Columbia, but it is small relative to global leaders: 6,000 acres of grapes planted in Okanagan, versus 800,000 in California.

The major challenge facing the cluster is the growth of large-scale, low-cost competition from places like Australia. Okanagan will never have the scale to compete globally with low-cost wine. Its challenge is to raise the quality of its wine and to more effectively market its product. In other words, wine must become more globally competitive at current prices.

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4. The Okanagan Region's Economic Foundations

The economic foundations of a region are the public and private institutions that supply critical inputs to private businesses to the region, and thus contribute to its competitiveness. Economic development strategists have identified six categories of economic foundations that have major impacts on the competitiveness of clusters, and the sustainable prosperity of regions.

- Education
- Finance
- Technology and Innovation
- Business Climate
- Physical Infrastructure
- Quality of Life.

The sections that follow will profile the Okanagan's strengths and weaknesses in each of these six categories.

Human Resources

Human Resources are widely recognized as the key to success in the knowledge economy. But what is less commonly recognized is that building a knowledge economy requires *both* educating people, and ensuring that jobs are available that reward their investment in education.

Comparisons of standardized test results between the Okanagan and B.C. reveal that the region does relatively well in reading and writing...but less well in math.

Figure 4-1.
Percentage of Students Below Standard in Reading, Writing, and Math:
Okanaga and B.C., 2000–2002
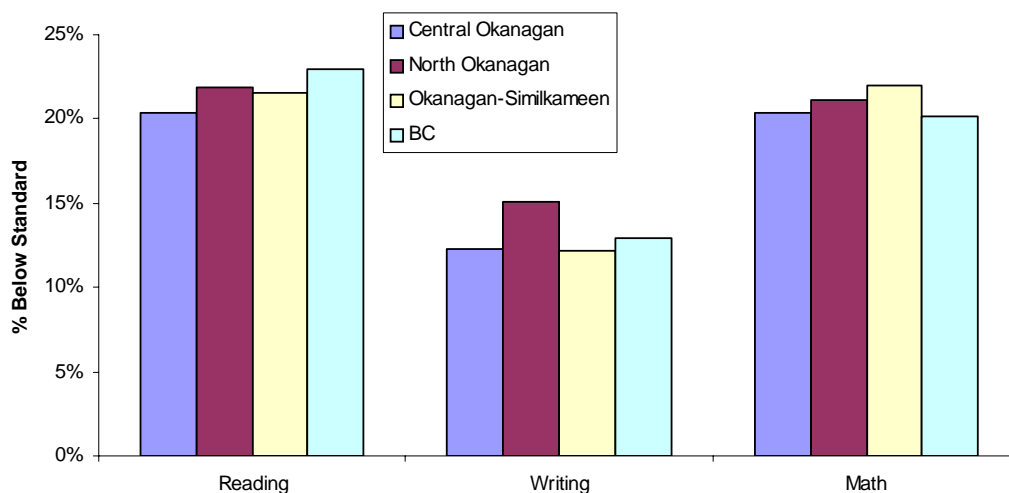
Like many Canadian regions, the Okanagan does a good job educating its young people, particularly in comparison to regions south of the border.

Figure 4-2.
Post-Secondary Completion Rates Among Populations 25 Years and Over

Region	Value
Central Okanagan	53.7
North Okanagan	48
Okanagan-Similkameen	50.1
Greater Vancouver Regional District	57.2
Tucson, AZ MSA	33.5
Spokane, WA MSA	35.1
Salinas, CA MSA	29
Richland--Kennewick--Pasco, WA MSA	32.2
Medford--Ashland, OR MSA	28.1
Boise City, ID MSA	33.3
Bellingham, WA MSA	34.4
Napa County, California	34.4
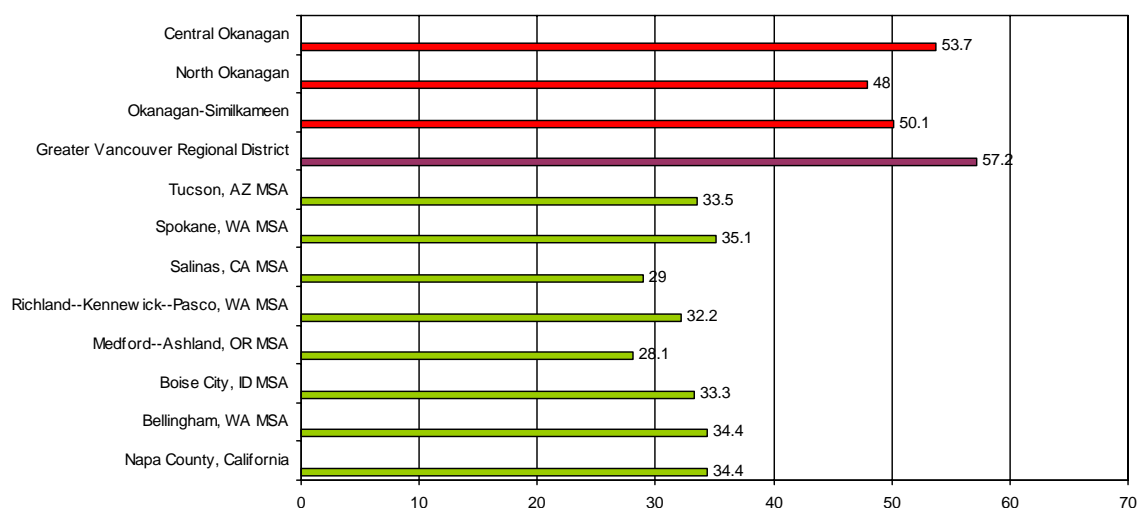
But younger members of the work force who have remained in the Okanagan are more likely to have a high school certificate, but not more likely to have post-secondary education. Given that post-secondary education has expanded in the region, this most likely means that many young people have left the region in search of better job opportunities after college.

Figure 4-3.
Highest Level of Schooling by Age Cohort, 2001
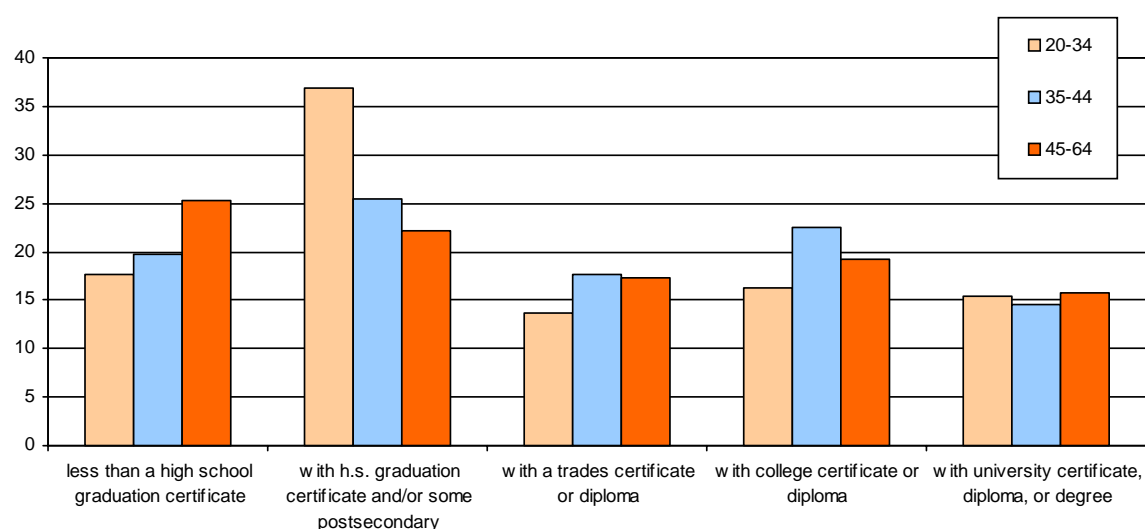
In general, education in the Okanagan reflects the needs of its "old economy".

Primary products do not require the advanced training of other regions, and consequently the Okanagan lags other regions in educational attainment at the secondary and post-secondary levels. In addition, the emigration of educated Okanagan residents is a factor in the lower education levels of the remaining workforce.

However, the region needs to prepare for its emerging high technology and experience based economy. University education can be an economic engine in its own right, attracting outside investment, developing the research capacity, and attracting better students and faculty. Developing this capability, and ensuring it has an economic impact in the region, should be key priorities. The designation of OUC as a part of the University of British Columbia is a critical step in that direction.

Finance

Financial capacity can be an important component and the Okanagan has numerous financial institutions to support businesses and consumers. All the major chartered banks in Canada are represented in the region. In addition, the region has access to traditional and alternative banking institutions.

During the course of dozens of interviews with public and private sector leaders in the region, finance did not emerge as a particularly critical economic foundation for immediate action. One area that was pointed to was venture capital, which is very important to technology-based companies. Access to investment capital was seen difficult in the region, and many qualified firms were forced to identify sources in Vancouver and Calgary.

Innovation

The Okanagan's innovation resources are a major untapped resource and offer the potential for significant value-added growth it the future. Three institutions are particularly critical:

- Dominion Radio Astrophysical Observatory (DRAO)
- Pacific Agri-Food Research Center (PARC)
- University of British Columbia—Okanagan (UBC-O) and Okanagan College (OC)
- Interior Health Authority (IHA).

In order to be effective, innovative institutions must connect to industry clusters in ways that create a virtuous cycle. The research and technology outputs of institutions must be perceived as relevant to industry, and companies must be farsighted and risk-tolerant regarding the potential of technology in their industry. When both those conditions hold, the flow of technology to industry increases and so does its competitiveness in turn.

At this stage, innovative industries in the Okanagan are still in their infancy, and there is limited local, regional, national, and international awareness of the region's potential and technology base.

Until very recently, UBC-Okanagan was Okanagan University College (OUC) and did not have the research program typical of universities, though this is now changing.

However, the presence of the NRC's PARC and DRAO labs means the region's technological capacity is relatively advanced, given the region's economic history. Along with UBC-O, they provide the basis for future innovation-led development in the Okanagan, but several issues must be addressed.

- First, the production of technology in the region outpaced the absorption of new technology by most of the region's clusters. This is the issue of technological adoption that was mentioned earlier.

- The result has been relatively weak linkages between the research capacity at DRAO, PARC, and OUC on the one hand, and the region's economic engines on the other. In general, a small amount of research and technology developed at these institutions is being used by the region's clusters. This too, however, is changing, particularly as the region's natural resource-based clusters (Wine and Beverages, Forest Products, and Value-Added Agriculture) move up the value-chain and develop more value-added activities. Still, more needs to be done to ensure that the region's innovation pipeline produces outputs which can be used effectively by the region's clusters.

Many trends in the Okanagan are moving in the right direction as far as technology is concerned, but the potential is a long way from being fully developed. Investment in R&D, commercialization and the promotion of technology adoption should be seen as key priorities for the region.

Governance

Governance refers to the general relationship between public sector activities and private sector competitiveness, in terms of the overall quality of a business environment including the ease of conducting business. While "governance" includes the cost of production, the emphasis is on the climate for formation, expanding, and attracting business in the Okanagan, which is far more than costs.

In a recent survey conducted by the Canadian Federation of Independent Businesses, businesses across B.C were asked to rate positive and negative business factors in their locations. In the Okanagan, an "Open for Business Approach" by local government, and a pleasant environment are the most positively rated attributes. While comparatively less significant than other factors, the perception of public support for entrepreneurship is stronger in Penticton and Kelowna than in B.C. as a whole.

Figure 4-4.
Community Attributes with a Positive Impact on Business Success
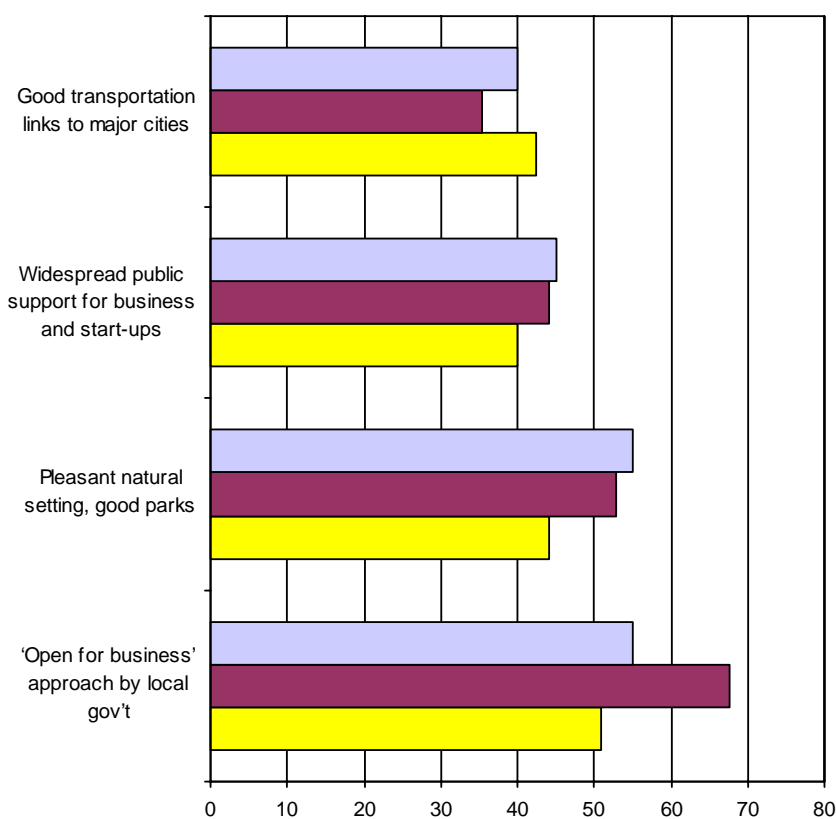
Figure 4-5.
10-Year Average total location Sensitive Costs (USD $000)
Canada Average = $6,510
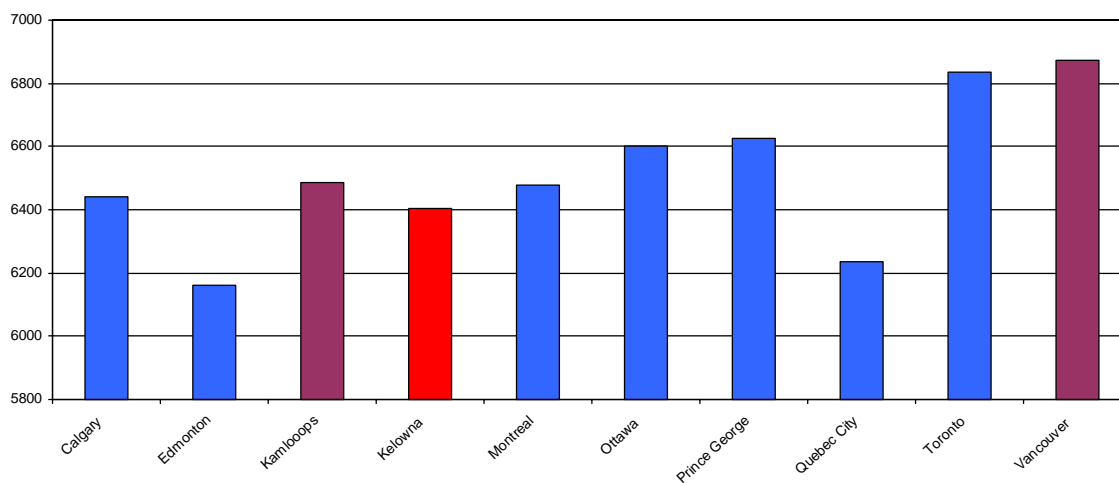
From a cost of business point of view, the Okanagan is a highly competitive location. Wages, taxes, energy, and a business-friendly government are all seen as advantages.

However, as the region continues to grow, the business climate mentality should change from "low cost" to "value for money". In order for the Okanagan to develop high value-added clusters that compete on the basis of quality, not merely affordability, it will need to invest in economic foundations at the level of larger and more industrialized regions. The issue then will be the quality vs. cost of those foundations, and not simply the cost.

Physical Infrastructure

Air transportation of people and cargo is perhaps the most decisive aspect of the region's physical infrastructure, as far as economic development is concerned. Water-based transportation is not relevant as far as the region's export competitiveness is concerned Surface transportation by rail and road is unlikely to substantially change, and the region's relative accessibility to important growth markets south of the border will significantly depend on investments made in Washington State and beyond.

The growth of air transportation in the region has, on the other hand, transformed the region's economic possibilities over the past 15 years, and has the potential for further impacts.

In terms of air connectivity, the regional airport system consists of three airports:

- Kelowna International Airport is the largest airport in the Okanagan region, and second fastest growing airport in North America. Kelowna airport provides direct connections to Vancouver, Calgary, Edmonton, Seattle, and Toronto. It also employs an estimated 1,834 full-time equivalent jobs and generates $266 million in provincial revenues.

- Penticton Regional Airport—largest airport in the Okanagan-Similkameen regional district, and offers direct service to Vancouver and Calgary.

- Vernon Regional Airport—key location for aircraft manufacturing and industrial maintenance in the region and the broader Pacific Northwest. The airport was planned to provide space and services for the region's aviation industry, and is home to a number of industrial based business.

Figure 4-6.
Passenger Traffic at Kelowna International Airport, 1991–2002
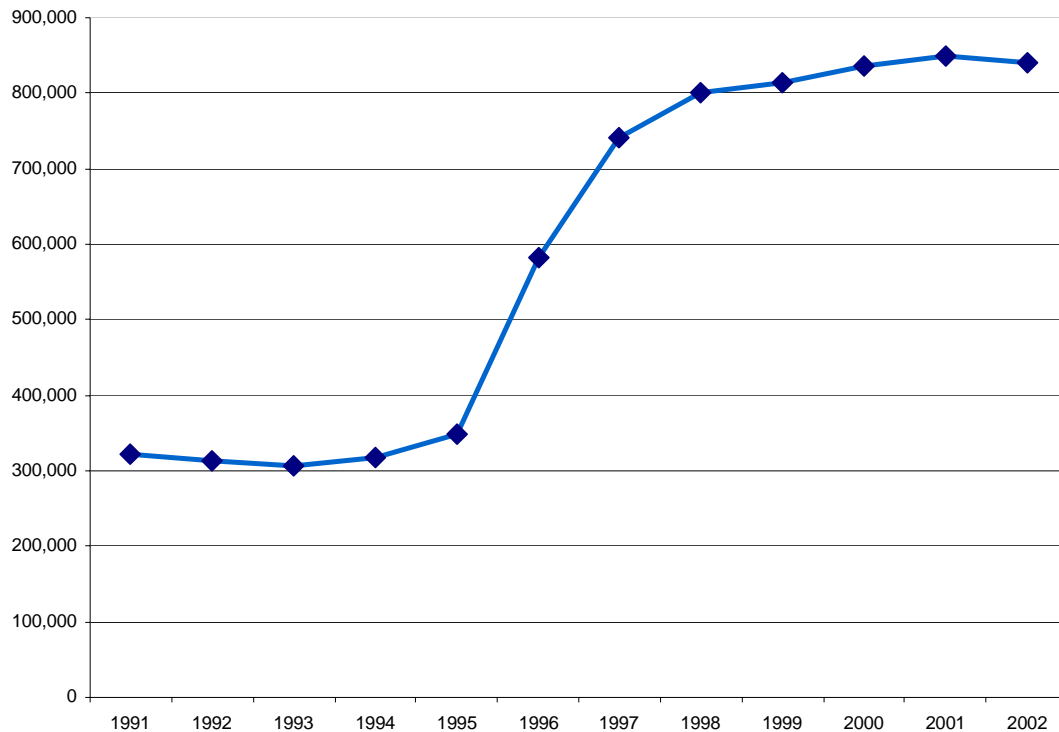
Kelowna airport significantly increased its domestic and international connections in the mid-1990s, leading to an over 100% increase in passenger traffic, which fuelled the tourism and aviation clusters in the region.

Low cost airlines are having a significant effect on tourism and business travel across North America and Europe. The arrival of WestJet at Kelowna has dramatically lowered the cost of travel to the region, which has been a key driver to its tourism industry. Horizon Airlines has increased the region's connectivity to U.S. cities.

A last infrastructure issue is how transportation relates to the quality of life. Infrastructure is an important aspect of the experience of the region, and its quality of life to residents and visitors. The region needs to consider how infrastructure problems can be solved in ways that enhance that experience. These might include:

- Leveraging the lakes to expand water transportation
- Leveraging the parks and natural beauty of the region to create specialized trails for cultural, wine, and agricultural-tourism.

A key outstanding issue is Highway 97. It is the most source of most congestion in the region, particularly in Kelowna. As the regional economy continues to grow and develop, long-distance commuting patterns within the valley are liable to exacerbate this problem. This is a key area where regional coordination and action will be necessary.

Quality of Life

Quality of life has been perhaps the single most important contributor to the Okanagan economy. The region's recognized strength in this area undergirds the competitiveness of tourism and health services, which in terms helps to support many of the region's other established clusters and emerging industries.

In addition to its famous warm climate, many desirable cultural and recreational amenities are present in the region:

- The Okanagan has exceptionally good summer-winter outdoor recreation opportunities and a number of museums and galleries.

- The community is supported by a good public library system.

- 13 movie theatres and six major performance venues

- Nearly 60 golf courses in the region

- 60 provincial parks and hundreds of municipal parks.

Public safety is another important contributor to the quality of life. The Okanagan has a reputation as a safe place to live and work, and the data supports this perception. In comparison to the B.C. average, the Okanagan has lower rates of violent crime, property crime, and motor vehicle theft.

Figure 4-7.
Indicators of Crime, Avg. 1999–2001
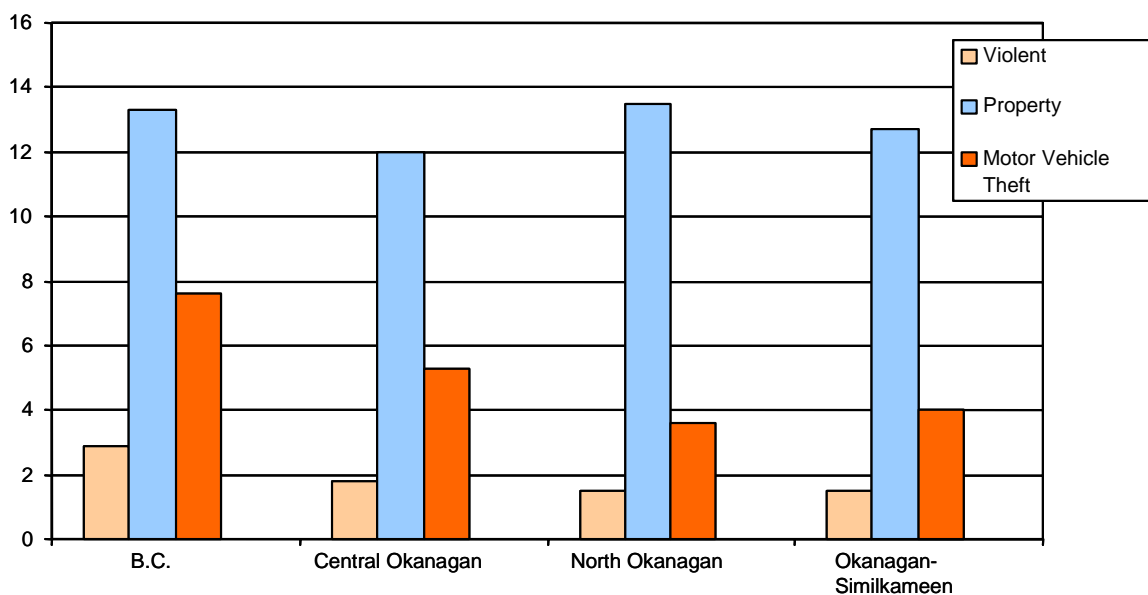
Public health is another important component of quality of life. All three regional districts in the region have relatively few health problems, according to the Province's composite Index of Health Problems. North Okanagan and Okanagan-Similkameen rank among the upper half of

regional districts in the Province, while Central Okanagan ranks at the top, with the fewest health problems of any B.C. regional district.

<p align="center">**Figure 4-8.
Index of Health Problems,
Rank in Province Out of 26 Regional Districts, 2002**</p>

(Higher Rank indicates Fewer Problems)
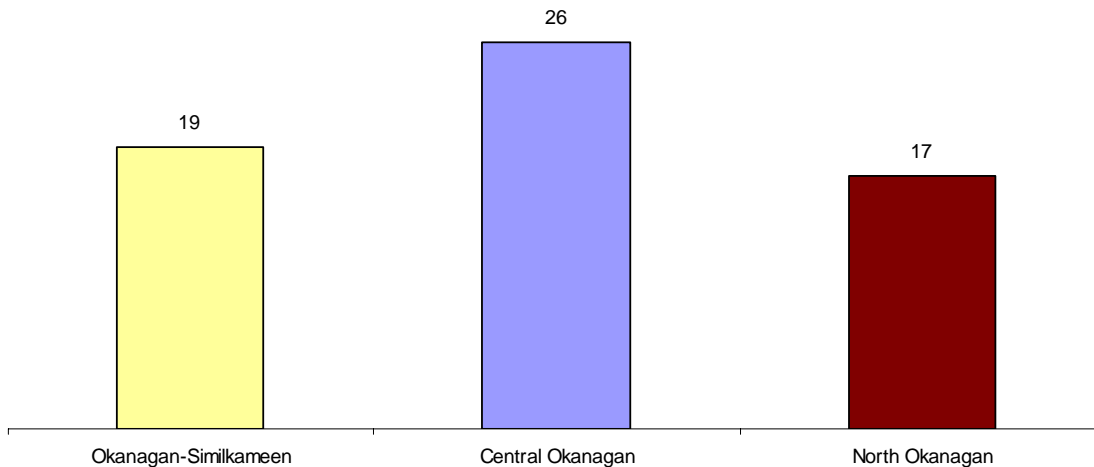
The Okanagan has many advantages in terms of quality of life, including the environment, outdoor and cultural activities, safety, health care, and cost of living.

The tourism infrastructure and the growth of "urban" amenities in Okanagan give the region a unique combination of natural and cultural amenities.

Quality of life is now a key selling point but development may place it at risk if it is not managed effectively.

Conclusion: Foundations of Sustainable Prosperity in the Okanagan

The Okanagan is at a turning point in its history. Growth has brought progress, but also new challenges. Environment and quality of life have been central to the region's economy throughout its history, and it will be even more significant in the future.

In the past, the Okanagan's clusters drew value more-or-less directly from nature—whether it was a delicious apple exported across the continent, or a warm summer day enjoyed by a tourist.

The evolution towards a knowledge economy means that an increasing share of every dollar of revenue comes from human activity, especially knowledge of technologies, processes, design,

and tastes. This is happening across Canada, and indeed the whole world, and it will change the Okanagan as it changes many other regions.

Yet the importance of environment to the Okanagan doesn't disappear—on the contrary, it becomes even more important, because it remains the basis of most of its clusters, and the quality of life associated with the Okanagan environment becomes a key source of attracting, developing, and retaining knowledge workers. Knowledge-based businesses in the region will not be able to pay the wages of a Vancouver or Calgary for some time. Why will these workers choose to live in the Okanagan? The answer is because of the environment, the lifestyle, and the quality of life.

As the region grows, quality of life may be jeopardized. It is of central importance to the region's economic, environmental, and social future that this not happen. The region has the potential to develop sustainable prosperity, based on knowledge-based, high value-added clusters with low environmental impact, which provide quality jobs for Okanagan residents. But achieving this will require collaboration across the region to create a vision of smart growth: between the public and private sectors, across municipalities, and between First Nations and non-First Nations populations.

5. Two Tomorrows: Possible Okanagan Paths

Introduction: A Fork in the Road

To Canadians today, the Okanagan evokes many images: a land of stunning lake vistas, clear air, warm sunshine, and a high quality of life. The Okanagan draws tourists in the summer for swimming, water skiing, golf and mountain biking and in winter for skiing, casinos, and snow fishing. Wines from the valley are the best in Western Canada—if not the entire country. Its apples and cherries are sold all over the world. The Okanagan has long been the place where people come to get away from it all—be it Toronto, Vancouver, or Alberta. In short, the Okanagan means a special place which combines small town life with metropolitan options, natural wonders with urban charms.

But the region is facing a critical juncture—perhaps the most critical in its entire history. Unplanned growth is turning farmlands to subdivisions and pushing housing developments closer towards wilderness. Poorly managed natural resources are leading to threats to the region's water supply. Many are beginning to talk about the region's "carrying capacity" and arguing that the Okanagan is heading closer to that capacity. Others are seeing unchecked sprawl transforming the landscape to a man-made checkerboard that is neither urban nor rural. In short, the very assets which make the Okanagan unique and wonderful are being threatened. These assets—from natural beauty to high quality of life—are also the basis of the region's competitive advantage. To lose these assets would be to irreparably harm the region's competitiveness and limit the region's ability to shape its future. . The clock is ticking and each day the region continues its current behaviour is a day lost towards creating a better future. The residents of the Okanagan must recognize this clock and begin to work towards change now.

> *"We live in a beautiful Valley with lots of opportunity."*
>
> Okanagan Partnership Co-Chair Gordon Fitzpatrick
> *quoted in the Daily Courier*

Navigating the Possibilities: Two Tomorrows (10 Years Out)

How the Scenarios Work

The kind of region the Okanagan will become depends on decisions made today. The approach taken in this chapter is to describe two scenarios of what the Okanagan could become. One scenario assumes the existing status quo approach towards regional development and innovation and recognizes how this will result in lost opportunities and potentially irreversible outcomes. This is the Okanagan of today traced forward without sufficient leadership or collaboration to tackle challenging problems. The second scenario assumes that the region succeeds in solving the major problems and continues to evolve a strong infrastructure and collaborative culture to continue solving new ones. This scenario enables environmental sustainability and economic prosperity to go hand in hand.

These two scenarios build directly from concerns expressed by stakeholders during the collaborative strategy process. The two possibilities also draw from examples of similar regions throughout North America. They are not, however, meant as blueprints for the future. Rather, they are a cautionary and a hopeful tale of the divergent directions the region could head in should we fail to take leadership today.

Regional Collaboration: How It Shapes Our Tomorrow

The Okanagan's regional strategy has been centered on industry clusters because the way these clusters will grow and evolve determines how the region's patterns of prosperity, sustainability, and disparity are set.

Prosperity: The key to rising living standards in the region is globally-competitive clusters that succeed in their strategy to move up the value chain. This will increase the number of job opportunities, and shape the region's occupational structure in the direction of a greater percentage of knowledge workers, which will encourage educated young people to remain in the region.

Sustainability: In industrial regions, the point-source emissions associated with heavy industry clusters are a major source of environmental problems. Many service-based and knowledge-based clusters are drawn to suburban locations, which can aggravate urban sprawl and mobile source emissions, even though their direct environmental impact is low. Regions need to rise to the challenge of designing "smart" environments for knowledge-based clusters that promote transit use, pedestrian-oriented neighbourhoods and urban redevelopment, ahead of development on pristine land ("greenfield development").

Disparity: The Okanagan's ability to reduce poverty and broadly assure economic opportunity is spread across the region is closely tied to the growth of clusters. At the neighbourhood or town level, the growth of export-oriented cluster development can act as a catalyst for follow-on commercial and residential development.

Thus the scenarios presented here recognize that regions do not develop "naturally". Instead, the economic, environmental, and social outcomes of regions are largely determined by:

- *The ability of clusters to compete globally and move up the value chain.* This in turn depends upon…

- *The quality and responsiveness of the region's economic foundations,* which provide the educated workers, technology and research, risk capital, attractive quality of life, supportive business climate, and advanced infrastructure. These regional assets foster the development of high value-added clusters.

- *The capacity of the region to collaborate* around shared economic development goals. Regions with constituencies that recognize their common interest in competitive clusters find it easier to organize around a well-conceived strategy to improve their economic foundations, in the light of the recognized competitiveness needs of their clusters.

In terms of the driving assumptions behind the scenarios, then, are three characteristics of regions that work together and are pro-active in the face of change.

- *Collaboration:* Do you work together to solve problems?
  – The extent of collaboration and leadership is a distinct feature of a region. Whether the region chooses to devolve into partisan and parochial squabbling or whether leaders rise to accept responsibility and work with others to solve challenges will define the type of region the Okanagan becomes.

- *Institutional Responsiveness:* Are your institutions proactive and adaptive?

  – Institutions which are able to proactively recognize their various roles and responsibilities or change to address new needs are necessary for a successful region. The ways in which a region's institutions are able to be visionary and proactively work to solve regional challenges will determine whether or not the region moves towards prosperity. Institutions can range from universities to water districts to local governments to research centres.

- *Inclusion and Equity:* Is everyone at the table?

  – Equity and inclusion are the keys to the creation of a fair and healthy region. Regions with disenfranchisement will never be able to move forward together, and will always have the potential to be brought down with internal strife. Inclusion ensures that a region will hear from the diversity of voices and benefit from differing perspectives.

The initial assumption of the scenarios is about the extent of collaboration, institutional innovation, and inclusion in the region. In the negative scenario, the region is not capable of collaborating, institutions are not proactive in solving problems, and exclusion results in few voices participating in decision-making. The result of this is that key economic foundations for the Okanagan: quality of life and technology—are allowed to deteriorate or do not fully develop, In the hopeful scenario, collaboration is a natural aspect to regional decision-making, institutions are problem-solvers, and decisions are made in an inclusive way. The ways in which the region accomplishes the above three items determines the capacity of the region to solve its problems.

Economic Foundations: Key Factors that Shape Cluster Competitiveness

Clusters need high-quality, responsive economic foundations to achieve a high value-added strategy. The goal of collaboration, institutional innovation, and inclusion is to be more effective at addressing the major challenges facing the region's economic foundations. In addition to the assumptions about regional behaviour, the following scenarios will look at how that behaviour affected attempts to work on economic foundations. The economic foundations that are addressed in the following two scenarios are:

- **Quality of Life:** Among the most pressing issues in the region is rapid development of land and the ensuing impacts on natural factors such as air quality and water quantity. Collectively, these forces determine whether or not the region maintains its quality of life. The driving force in growth and development are the decisions made about land use—whether to convert agriculture land to urban uses and what type of development to allow. The changing variables among growth and development include the rate of land conversions, the types of design guidelines established, the ways in which water is managed, and the planning for the region's transportation needs.

- **Innovation:** Innovation is one of the driving forces in the creation of regions with control over their own economic destinies. In a world of rapid development of new technologies, we can all be consumers of innovation (so long as we have the resources), but we are still dependent on other regions to produce the innovations we use. Some regions specialize in creating products or processes that are used elsewhere. The key to creating the innovative region is in the creation of effective and agile institutions. The changing variables in this factor include the responsiveness of the region's institutions (from PARC to DRAO to Interior Health to UBC-Okanagan). In addition, successes within the new UBC-Okanagan will also spell out the ways in which the innovative region forms.

The interplay off these two factors will ultimately create the Okanagan of tomorrow.

The following scenarios describe how the region chose to tackle problems beginning in 2004. The scenarios begin with an overview of what the Okanagan will be like in 2014. Next, are assumptions about regional behaviour—i.e., the extent of collaboration, institutional innovation, and inclusion in each scenario. Then the scenarios describe how regional behaviour resulted in changes to the region's foundations, namely quality of life and innovation. Finally, the impact on each of the clusters is described.

Scenario 1: Sunshine Eclipse

Summary: Trampling the Garden

In 2014, the region wakes up and remembers the excitement of 2004 when participants from throughout the valley had high hopes for what the Okanagan could become. The arrival of UBC-Okanagan had been met with excitement and great anticipation and the collaborative spirit from the clusters pointed towards a promising future. But by 2014 it is clear that the great future has not arrived. In 2014, the sun is shrouded with haze and the land turned over to asphalt and automobiles. Gone are the apple and cherry orchards, long ago replaced by fast food outlets. The drive from Kelowna to Vernon has become an unceasing pattern of strip malls, subdivisions, and office parks. Jobs and housing abound but too many of them are dead-end low wage jobs with little opportunity for growth. The pay is so low that workers are rarely able to afford homeownership. Further, there is little evidence of the natural beauty except for the increasingly rare view of the lake and the distant hills. However, that view is more a mirage than an affirmation of the region's once great quality of life. The lake has constant swim advisories. Regional districts, cities and small communities in the region seem to be at constant war—for both tax dollars and new development. In short, a new feudalism has emerged. This was the Okanagan that no one ever imagined could develop. But what was it that led the Okanagan down a path towards the "Sunshine Eclipse"?

As the residents of the Okanagan begin to dig a little deeper, they realize that the time from 2004 to 2014 was a really a "lost decade" and opportunities they once had are now gone. Instead of growing a knowledge economy built around a world-class research university, they have a university in town that appears to not care about the community it is in. Research is produced but there is limited benefit to the surrounding economy. Repeated failures in collaboration regional planning issues has resulted in lost chances to build alternative transportation routes or preserve key parcels of farmland. In short, leadership is fragmented and there has been limited resolution of regional challenges. The region's assets are being tarnished and there is a clear threat to the region's overall identity. The Okanagan is no longer the same place is was in 2004. What has caused the region to become a "Sunshine Eclipse"?

A Failure to Work Together

Collaboration: Region Succumbs to Infighting and Competition

The lost opportunity that became most disappointing was the failures in collaboration and leadership. 2004 had marked a watershed year for both those factors. But the energy did not sustain itself. First, there were the failures among the cities to find a shared agenda on managing regional growth. This resulted in uneven development patterns that often conflicted. Second, there was the failure to achieve a regional solution to water supply. This led to constraints on the growth of the agriculture industry and overall community development.

Finally, the lack of collaboration resulted in a lost opportunity to successfully enhance the region's assets through creating new pathways, trails or even cultural events. This resulted in declines to the region's quality of life assets.

The lack of collaboration became the norm across the valley in all aspects of civil and political life. In 2006, the cities all made valiant attempts to out-compete each other in an attempt to lure an Ikea store to their community. Thinking the Ikea would benefit their community more than other communities, cities offered, land, tax breaks, free infrastructure and other "economic incentives" which have long failed in other places. But the lure of a glamorous retailer such as Ikea was too great and any prior commitments to regional cooperation were broken down. The net result of the constant competition among Okanagan cities for jobs, housing, and any vestiges of what has been mistakenly referred to as "economic development" is that the cities are less and less able to differentiate their assets. Each community has an array of chain stores and cookie cutter housing developments. And the failure to create greenbelts around the cities (which would have been possible in 2004) results in there being the appearance of one continuous city throughout the valley. Over time, the loss of city identity has resulted in difficulty attracting investors for non-traditional projects and the ultimate loss of visitors to the region.

In addition, the overall growth pattern has created pressure on city budgets. Tax base growth slows as the economy is not moving towards higher value activities. But service needs still expand, with the infrastructure becoming a patchwork quilt.

Residents are less supporting arts and culture organizations. By 2014, many arts and culture organizations "go dark," as life styles turn inwards. Residents complain that they have no interest driving back through traffic to go see a play that costs $45 when they can watch reality TV shows for free at home. The cost of arts and theatre increases as donations decline.

Overall, the region has failed to become one where collaboration results in the solving of shared problems. Instead, the region has devolved to squabbling over who gets to downgrade the already declining public goods (such as land, air quality, water). Each community seeks to maximize its own benefit and towns are happy to "steal" developments from each other. The irony is that the rapid growth of the region has created an even more obvious regional labour market. As towns become closer spatially, jobs spread out and people are less likely to work in their city of residence than ever before. But the failure to collaborate has destroyed the benefits of this new regional labour market. Leadership as well is considered a risky proposition as city councils buckle and approve ill-conceived developments.". The populace seems content to stay within its increasingly privatized world and in their gated communities and only the long-term residents remember the days of past when hope for a new region was in the air.

Institutional Responsiveness: Failure to Adequately Respond to Economy's Needs

The lost opportunities in the region's innovation are the result of specific failures on the part of key institutions throughout the valley—from the new UBC-Okanagan to PARC and DRAO. Overall, linkages between UBC-O and the regional economy decline as UBC-O becomes an academic island. Further, the region never developed any cohesion within the research community. Entrepreneurship was never rewarded nor institutionalized. PARC and DRAO begin to face greater competition from other labs. Downsizing or repurposing become distinct possibilities.

Other institutions that failed to become proactive included the airports and water boards. Specifically, the region's airports were unable to achieve common ground and failed to create a coherent regional airport strategy. Although the Kelowna airport would remain the main

passenger airport, both Vernon and Penticton aggressively attracted new airlines to fly into their respective airports. The result was that patchwork flight schedules with competing airlines duplicating and ultimately cancelling unprofitable service to the Okanagan.

Additionally, the lack of foresight on the part of the water boards and the failure to work together to solve regional water problems continued to plague the region. Although the Competitiveness Strategy had initially recreated the Okanagan Water Resources Board, the new entity quickly was unable to accomplish what it sought to accomplish. Not only were many local water boards resistant to share information about the source and quality of their water, but residents fought the imposition of water meters. The lack of a regional approach to water resulted in increased water shortages. In 2014, uncertainty about water supply resulted in limits to further development and the death of Osoyoos Lake. Ultimately, the overall water quality deteriorated and residents of a majority of the communities become expected to boil their water before drinking or to purchase bottled water. No definitive study of the region's water capacity has been conducted but certain districts have begun to run out of water and are beginning to purchase from neighbouring districts. People are aware that they could all run out of water at any point but there is no political will to bring the communities together to address the issue. Some complain that the region may face much higher water costs if it must begin importing water from regions farther away. The growing costs of the water system are taking an increasing share of public sector budgets. People begin expressing frustration that the issue was not resolved in 2004. "It would have taken just a little vision and a good dose of realistic collaboration to solve this issue back in 2004," laments the head of the Okanagan Water Resources Board in a 2014 meeting. That group has largely become symbolic, lacking in authority to require water meters or conservation or to create economies of scale by bringing smaller water districts under one tent.

Inclusion: Old vs. Young; First Nations vs. Region

Although the region had begun to talk about promoting greater equity and fairness, the years after 2004 were not effective and represented multiple lost opportunities.

First there was the great attempt for the First Nations bands to collaborate among themselves and with other regional stakeholders. Due to a series of factors, the bands were unable to find common ground with the region on issues of economic development. The result was that First Nations' divergent interests produced uneven, opportunistic economic development, with low regional synergy. As some First Nations' land was turned over to developers, some bands benefited while others did not. By 2014, the First Nations bands are also no longer a partner for economic development. Because the region's overall growth has pitted communities against communities, bands against bands, many First Nations are now stalling projects or fighting over opportunities for development. The bands seem torn between economic trade-offs of developing

> "....Suburban homeowners successfully pressure their governments to adopt exclusionary zoning laws that make creation of affordable units there impractical. Since each suburban government is politically motivated to act in the interest of its own residents, without regard for the welfare of the region as a whole, this exclusionary attitude dominates the suburbs of almost all U.S. metropolitan areas—especially new-growth suburbs."
>
> *(Source: Brookings Institution)*

their lands to allow a revenue stream and the overall impact the development is having on First Nations identity, particularly with young people. The resulting overbuilding of retirement complexes, health care, hotels and casinos further erodes the attractiveness of the First Nations lands. A regional "beautification" campaign has targeted First Nations land for the uncontrolled growth in billboards and the region feels torn apart by all the finger pointing. The collaborative spirit of 2004 and the growing trust among communities seem like a distant past.

The second major lost opportunity in equity was the failure to sufficiently plan for the region's changing demographics, specifically in housing. Throughout the decade, the region pursued the seeming endless demand for older adult communities but failed to provide sufficient

housing for younger families. Although the rise of adult-only communities was heralded by some as a great economic development hope, what the region missed was the recognition that older adults require a large workforce of mostly younger workers with distinct housing and community needs. Unfortunately, much of the new housing became concentrated in locked gate communities catering to older adults. Younger workers found it increasingly difficult to find places to buy homes. Employers began to have a harder time attracting new workers as a result of the housing situation. The lack of planning for this resulted in a growing conflict between young and old in housing. Younger residents have increasingly become resentful of the older population.

The economic effect is a reduction in economic diversity and a growth in a low-wage services-oriented economy. The region's educated youth are quickly leaving the Okanagan for other regions with more range of job opportunities. The loss of the skilled youth further undermines the region's economic diversity. At the same time, the fast growth in low pay service jobs, many of which are to serve the growing retirement communities, is leading to economic polarization. Those with money are moving to the region to retire while those who work full time in one of the many service-oriented industries are unable to get ahead. Homeownership remains out of reach as families can hardly save after paying for car, apartment, food, and other items.

Foundations: A Declining Environment Can't Support Cluster Evolution
Quality of Life: Rapid Demise as Sprawl Eats the Region's Golden Egg

The first major indication that the region was on the path towards a sunshine eclipse was when the historic meeting of regional mayors and planners, called by the Okanagan Partnership, resulted in parochial squabbling and an inability to move towards a regional agenda. Although the region did not know it then, from that moment in 2004, the region failed to address the major growth and development issues and thus lost ten key years of time towards resolving regional growth and development issues. By 2014, the region is clearly an uncontrolled sprawling city/region with barely any remaining agricultural character.

Although this process began before 2004, by 2014, the region is hardly recognizable from what it once was. The development seems to begin well south of Penticton and not stop until north of Vernon. The near continuous path of strip malls, subdivisions, office parks, gas stations, and stoplights has absorbed acre after acre of prime farmland. The lack of a regional plan or creation of urban growth boundaries or clear greenbelts around the existing cities and towns resulted into the continued pattern of certain landowners being able to pull their land out of the ALR while others were not so lucky. The loss to the region was the ongoing checkerboard development pattern and the further destruction in the region's character. Eventually, however, a changing political landscape within British Columbia and growing demands regionally for use of the farmlands led to changes in the laws governing the ALR. No one thought it possible back in 2004 due to the seemingly strict rules of the agricultural land reserve. However, in 2008, the new political landscape decided to turn management of the ALR over to local communities. Soon it became a "race to pave'—or at least to see who could develop the quickest. As farmers faced rising competition from imported fruits and vegetables, more were compelled to sell their land. The lack of any existing agricultural easement programs meant that farmers who wanted to retire and sell their land but didn't want to see it turned into tracked housing had no alternatives. Not only did the loss of farmland result in

> **"What is Urban Sprawl?**
>
> Sprawl is poorly planned, automobile-dependent development that takes our tax dollars away from our communities and destroys farmland and open space. (Source: Smart Growth America)
>
> "Urban sprawl strains all working families by creating overly-long commuting times, fueling air pollution responsible for skyrocketing children's asthma rates, creating a lack of affordable housing near jobs, eroding public services, and denying workers a choice about how to get to work."
>
> *(Source: AFL-CIO)*

declining employment in the value-added agriculture cluster, but wineries began to see declines in visitors as tourists no longer enjoyed the drives up and down the valley—since the open fields were increasingly rare, the roads became congested, and poor air quality obscured the once stellar views of the lakes.

As uncontrolled growth overtook the valley, it became clear that developers chose profit before perspective and architectural integrity was low on the list of priorities. The cities that regularly approved these new developments also lacked any consistent design or development standards across their communities. This resulted in an erosion of the sense of identity or community. The other result of the lack of design standards for new development was that although strip malls predominate and were continually built, in 2014 many are in decline, particularly those in slightly older areas.

Further, uncontrolled growth created a two-tier housing market (rapid growth at the high and low ends of the market). The shrinking supply of older homes in hillside neighbourhoods has resulted in rapidly rising housing costs for faculty and research staff. There are still inexpensive homes throughout the valley, but they are often found in trailer parks or in congested, car-oriented complexes. The result of the diminishing quality of higher end homes is that UBC-O and national research labs have difficulty attracting and retaining top scientists.

Finally, failure to plan for growth in transportation corridors and between town centres resulted in an inability to solve regional transportation woes. Beginning in 2004, key parcels of land between Vernon and Kelowna were sold into private hands and the speculative prices put them beyond the reach of local governments. This loss of a window to find an alternative north south route resulted in 2014 in increased congestion across the Valley and within cities as well as declining air quality. Though not yet resembling the traffic of the Lower Mainland, the Okanagan's lack of an alternative to 97 continued to confine motorists to the single thoroughfare. The couplet debate regarding the floating bridge degenerates to the point that the Province withdraws $100 million in infrastructure funding. Further, lack of regional collaboration on transportation resulted in the failure to create a rapid bus line from Vernon to Penticton.

Eventually, people are increasingly only able to distinguish their stretch of the sprawl environment by describing which chain restaurants or freeway off ramp they live nearest to. To accommodate the flow of traffic throughout the valley Highway 97 has become an American style "freeway" with limited exits. This had been presented to the public as an economic development strategy to help bring more people to the Okanagan from the Vancouver winter Olympics. However, instead of improving the flow of traffic throughout the valley and enabling tourists easier access to the region's amenities, the new highway is an inspiration for more driving and filled with congestion within a few years of being opened. Traffic jams throughout the day are now the norm up and down the valley. East West traffic is eventually routed in such a way to entirely avoid the Okanagan, thus hurting tourism or other industries reliant on through traffic. As congestion increases, air quality deteriorates and the region loses its attractiveness to older adults and younger adults alike. Well-educated and highly talented immigrants from elsewhere in Canada, who used to come to the Okanagan to start companies and enjoy the lifestyle, now look to less developed, more pristine regions elsewhere in Western Canada. The Okanagan has squandered its primary source of competitive advantage.

Innovation: Failure to Move Technology to Market

Although in 2004, the region welcomed the much-anticipated new campus of UBC, by 2014, the excitement wore off. UBC-O chose to focus its efforts on its academic reputation and paid limited attention to economic linkages. Though the school became well known and respected in particular fields, it resulted in low levels of spin-offs and start-ups. Partly this was due to the

fact that it became harder to recruit people to the Okanagan as its quality of life declined. Further few of the students would remain in the region after graduation. They would study for four years and then move on. Graduates repeatedly expressed that they saw few opportunities in the Okanagan and choose to start their careers back in the Lower Mainland or in Alberta. Even students originally from the Okanagan began to take jobs away from the region although they went to school here. Thus, the potential economic engine from the innovative and high skilled graduates became lost. This was true for undergraduates as well as graduate students. At the same time, the top research faculty were less attracted to the region due to an uncertain future for its quality of life. The increasing difficulty in recruiting top faculty and researchers in turn affects the ability to attract top graduate students which in turn limits the educational experience of undergraduates who interact with the graduate students as teaching assistants.

The story at PARC was not much different from what it had been in 2004. The institution remained dependent on Ottawa for management and also failed to make strong linkages to the regional economy. Despite many committed researchers, the structure of the research institute did not result in the creation of new products or start-ups. While PARC continued to serve broader national needs, this resulted in the lack of agricultural and food products innovation, locally, and ultimately did not contribute substantially to efforts by the cluster to diversify.

Further south, DRAO was unable to establish a "bridge" to the marketplace. Its incubator space had been filled at various points since 2004 but the institution never was able to make a closer connection between its research and the commercial marketplace. The result of this lost opportunity was that DRAO missed its chance to commercialize its antennae-related innovation.

The hopes to systematically develop technologies based on the capacities of the Interior Health Authority (its access to patients and new medical treatment innovations) is a failure as the hospitals are forced to focus on bottom-line cost cutting and have low synergy with UBC-O. Increasing privatization and public scepticism of government-supported research at the health authorities results in lack of support to grow that potential. This means the region misses the window of opportunity in aging and chronic care innovation and relies on technologies developed elsewhere rather than fostering value-added producers of exportable biomedical services and products that derive from the region's experience and expertise.

Overall, the region did not make sufficient effort to build or sustain a culture of innovation. This resulted in the region becoming less attractive to technology firms and entrepreneurs.

Impacts on Clusters: Decline in Regional Quality of Life and Competitiveness

The net result of these failures in leadership or the seizing of particular opportunities was the negative impact to the region's industry clusters. Ultimately, the lack of collaboration, the willingness of institutions to act proactively, and social exclusion resulted in failed leadership to tackle the major challenges of quality of life and limited innovation. This resulted in the clusters failing to move towards value added activities and prevented the region from increasing prosperity and strengthening sustainability. The following are some of the specific harms caused by the "Sunshine Eclipse" on each of the clusters.

Tourism

Though tourism emerged from the collaborative strategy with energy and a broad range of action plans, the impact of the lost opportunity to solve regional problems resulted in slower growth in higher value tourism and increasing focus on golf and casinos. Beach closings become an unfortunate reality for summer tourists and traffic congestion a year-round phenomenon. The failure to create linkages with other clusters meant the loss of potential for wine agricultural-tourism. There is also the specific failure to successfully exploit the 2010 Vancouver Olympics. Overall, the region loses out to more "pristine" areas and sees both fewer international visitors and visitors from outside western Canada. The tourism market becomes smaller and more regionalized just as the world tourism market is taking off again.

Wine and Beverages

Wine and Beverages becomes a mere vestige of its former self. Initially, the region's cluster was also unable to develop any distinct recognition or niche in its wines nor effectively cross-market with tourism providers to grow wine tourism. Then, as land became scarce, there are only a few surviving wineries along congested roads. Tourists are less interested in driving to wineries if they must pass kilometre after kilometre of strip malls and fast food restaurants to arrive at the winery. PARC is conducting a study on the affects of air pollution on different grape varietals. However, the failure to spin-off the GIS program means that the information from PARC will not be disseminated to the clusters. Further, overall wine profitability decreases as water costs go up. The inability to work together and successfully lobby government to adopt changes to existing regulations and excessive taxation leads to the closure of many vineyards and wineries.

Value-Added Agriculture

Value-Added Agriculture declines rapidly as urbanization and growth absorbs agricultural land. Even cherries, which had been the great hope of a higher value fresh fruit, succumb to the vagaries of commodity pricing as too many farmers convert from apples to cherries. As cherries decline in price, cherry orchards are sold to become new development. New crops are not developed and the cost per acre concern is not addressed. There is little downstream development or few food processors but even those are threatening to leave because of increasing costs and the Federal government's attempts to reduce air pollution leads them to target "point source" places like factories. Sun-Rype has already closed its doors and moved its headquarters and plant south to Washington State where they had been increasingly working with local scientists and researchers. PARC and UBC-O's failures to support commercialization result in them being of no benefit to the cluster.

Life Sciences

The Life Sciences cluster saw an initial boom as health care businesses expanded rapidly, including hospitals, clinics and laboratories. These services supported the population growth and rise in older adults. However, the cluster failed to develop any value-added products or become a centre for geriatric care and its services became almost entirely local serving. There was some growth in technical laboratories but it is not in innovation-driven enterprises. Threats to the quality of life have made it harder to attract entrepreneurial researchers to the Okanagan. The outsourcing from Interior Health did create some local jobs, but these only replaced the jobs that were lost with the privatization. Because the new jobs were in private enterprise, lower wages for the same work was one of the only ways to maintain profits and keep down costs. The birth of a distinct life sciences cluster became a dream of the past. In its place is a low wage health services industry.

Knowledge Services

Knowledge Services sees moderate growth to coincide with the population growth. However, the renaissance of entrepreneurs who would flock to the Okanagan for its high quality of life never materialized. Not only was the region lacking in financing for smaller firms, but the erosion of the region's quality of life made it a less attractive environment within which to begin businesses. Knowledge services became increasingly specialized in health and financial services. Many new firms are local serving without distinct products with export potential. There is overall little innovation.

Aviation

The Aviation cluster story is parallel to the regional story of collaboration. Instead of moving towards specialization across the different airports, each tried to pursue its own strategy independently. This resulted in duplication of activities and confusion for investors and banks. The growth of one airport was often at the expense of another since they were often competing in the same market. Further, lack of collaboration results in the cluster failing to get its regional

fair share of federal and provincial training dollars. This prevented the growth of aviation repair and manufacturing due to shortages of trained workers.

Forest Products

Forest Products cluster sees major threats to its future. Fires and competitive pressure reduce the scale of operations across all forest products companies. Privately owned land is increasingly converted to housing developments and abuts the forested lands. The few remaining environmental voices are calling for stops to logging—even coming from those living in houses that had been forests in 2004. In short, forest products have not found a value proposition to allow the industry to stabilize or grow within the Okanagan.

Scenario 2: Sustainable Prosperity

The second scenario sketches out a future that is hopeful. This future is also entirely plausible if the region builds on the momentum generated by the Okanagan Partnership.

Summary: Sustainably Managing the Foundations of Competitiveness in the New Economy

In 2014, the region wakes up to look out at an Okanagan where environmental protection goes hand in hand with economic prosperity. The preservation of the region's natural assets indeed became the region's greatest economic asset. The Okanagan has become a little paradise in the mountains—an island community surrounded by wilderness yet well planned with distinct community character. The universities and research institutes are well respected nationally and have developed a successful track record in commercializing technology. Growth is guided by regional goals and development enabled by strategic investments. The regional districts and First Nations strengthen their identities and work in a complementary manner. A new collaborative culture takes shape. 10 years from now, the Okanagan becomes a model for growth with sustainability. This future was certainly not a forgone conclusion back in 2004. What was it that created this "sustainable prosperity'?

Recognizing the Common Interest

Collaboration: Civic Leaders Are Heralded and Cities Work Together

The rise of civic leaders and entrepreneurs instigated a movement that became the reality of sustainable prosperity. Throughout the valley, cities and communities began working together on issues from development to transportation to education. Regionalism became the buzzword as cities ceased to fight for new developments and agreed to build based on a regional view. Part of the change occurred by better engaging the public in decision-making. While some early regional thinkers feared too much participation in the planning discussions, they were surprised to see that when the public was sufficiently educated about why a regional approach is of mutual benefit to all, they ceased to be "NIMBY's" (not in my back yard) and started championing regionalism. This snowballed into creating more collaboration between jurisdictions since local politicians recognized that their populations were in favour of collaboration and regional planning—their community became more selective in choosing commercial ventures.

Across industry and government, leaders and "civic entrepreneurs" tackle tough problems. Each cluster group had a number of people who were able to speak for the broader regional benefits of their cluster's actions. And further, the clusters truly began to see the important linkages between them. This resulted in residents recognizing that there were people taking responsibility for challenges. In turn, more residents sought to be involved in helping tackle the region's challenges or simply volunteer on a specific project such as trail clearing or native plant restoration. Even students became known as great problem solvers and volunteers and

new retirement communities were sometimes located near to student neighbourhoods because of the great reputation of UBC-O and OC students for volunteering.

Finally, water no longer became the great uncertain challenge of the past. Though limits were clear, by joining together, water districts developed a common strategy for metering, conservation, and new supply. They also identified reliable sources and were able to model the usages throughout the valley. It was discovered that a large percentage of the overuse in the early years of the 21st Century came from the lack of oversight and simply waste. As agriculture moved towards more sustainable practices as vineyards converted to drip irrigation and homes were built in a way to maximize shared spaces (and reduce the size of individual water-consuming lawns), the region's overall water use remained the same or declined. The result was that residents were happy to conserve this limited resource because they trusted the regional leaders when water became scarcer during dry years.

Inclusion: Fairness and Equity and Planning for all Income Levels

The other key feature of sustainable prosperity is that prosperity is truly available to all community residents. Equity and fairness become a reality as opposed to a goal. The way to achieve this turned out to be simpler than anyone thought. The cities and communities planned ahead for the changing demographics of the region and ensured that there was sufficient housing built for multiple income groups and at the same time set aside land for future development of affordable housing. This prevented the all-too-common competition for housing seen in larger metropolitan areas where those with lower incomes are competing for the same housing as the middle class who are able to drive up housing costs. Instead, careful planning and vision resulted in sufficient land and housing. This resulted in the region gaining a reputation as a great place to move to start a family. There was plentiful affordable housing and a range of options.

Another feature of sustainable prosperity was the upward growth in wages. Historically, the Okanagan had been known for its "sunshine tax" where jobs simply paid less in the Okanagan than in other places because people took a pay cut to experience the quality of life. Unfortunately, that strategy had started to create disgruntled workers and frustrated employers

> *"To me, sustainable prosperity means sustaining our competitive advantage by surrounding ourselves with clean industry."*
>
> Brad Bennett, Co-Chair Okanagan Partnership

who were not accustomed to paying the salaries necessary to get qualified people—even if those people assumed a pay cut based on salaries in Toronto. The change happened slowly but caught on quickly. As some industries recognized that they were competing in a broader marketplace, they realized they were competing for the same broader talent. The region's unique quality of life brought them to the Okanagan, but the competitive wages made them stay. It was the software firms that first caught onto this concept. Despite increasing competition from India, the need for North American software developers grew rapidly. The firms that paid decent wages got the best graduates. With UBC-Okanagan producing several thousand talented graduates per year, Okanagan companies were able to tap into their creativity and skills and use that to benefit their firms. As skills levels and productivity increases resulted in growing sales and profits, a large portion of those benefits flowed back to the workers in the form of higher salaries. Starting in software, this extended to nearly all industries in the Okanagan. Additionally, people began recognizing that a healthy community was one where local residents could survive on the salaries they earned there. It was as if the Henry Ford maxim of nearly a century earlier had finally caught on in a broader community way—though the concern was not whether or not workers could afford to buy the cars they made, it was easy enough to make the case that workers in the Okanagan from a broad range of jobs should be able to buy its wine and eat in its finest restaurants. The notion of a "living wage" soon replaced the "sunshine tax" without any particular harm to business.

Finally, the First Nations bands were able to collaborate and work together with regional leaders on training for jobs and joint ventures for value-added projects. This resulted in a strengthened First Nations identify throughout the valley and many examples of successful economic development. The region was further rewarded through developing a reputation for fairness and inclusion.

Foundations: An Asset that Blooms

Quality of Life: Regional Planning Becomes a Reality

Though rapid growth in the prior decade could have resulted in increasingly contentious squabbling, the region was able to come together and avoid disjointed communication. The region chose to focus its development pattern in distinct urban nodes—infill development within the existing centres and a defined edge between city and country. Farmlands became contiguous to other farmlands and there was no longer a confusing mix of uses within formerly agricultural areas. Cities became surrounded by real green belts and established a clear boundary between town and country. This served multiple purposes. First, it helped solve traffic problems, as people were more likely to live closer to their jobs. Second, it created more cohesive communities with better pedestrian-oriented architecture and design and thus strengthened the quality of life. Third, and perhaps most importantly, it retained the psychological benefit of leaving the town and immediately being in the country without sacrificing the demands for growth.

What Is Smart Growth?

"Smart growth is well-planned development that protects open space and farmland, revitalizes communities, keeps housing affordable and provides more transportation choices."

(Source: Smart Growth America)

The region was able to create the "development nodes" and greenbelts/urban growth boundaries was because a large number of stakeholders worked to ensure that each jurisdiction passed comprehensive plans which adhered to an agreed upon set of goals and objectives. Each comprehensive plan clearly adopted a set of "smart growth" principles in its plan. These principles includes facilitating collaboration in development decisions, preserving open space, directing development into existing communities, building distinct places and neighbourhoods oriented around walking or bicycling, not the car, providing housing choices for a range of incomes, lifestyles, and family sizes, and ensuring that planning would shape the type of development, not the other way around. The regional districts increasingly recognized that their actions and investments impacted the entire Okanagan and coordinated their activities with each other and all the region's jurisdictions. Private citizens recognized the tradeoffs between accommodating growth for newcomers and allowing new developments in infill areas.

As part of this process, downtowns were redesigned using a local architectural vernacular that created distinctness of place. Visitors loved it and residents suddenly started shopping more in the downtowns and less in the suburban-oriented shopping malls. Investors soon took note and began designing pedestrian oriented malls in the central business districts of existing communities and even recognized that housing could be effectively located about retails shops in these new shopping districts. Even strip malls received "upgrading" and took on a distinctly "Okanagan" look with apple and cherry trees planted throughout. The result was that residents were proud to drive visitors up and down Highway 97 because it had recaptured part of the rural feel it once had.

The region also decided to invest in multi-modal transit on the north south transit corridor as opposed to only new highways or road widening. Residents recognized that their future as a pristine area was threatened by increased driving and accepted the trade off of rapid bus travel up and down the valley instead of snail-paced congested driving up and down the same route. As a result, congestion on 97 became something of the past with residents able to live closer to jobs or choose to commute without using their car.

Overall, what most distinguished the growth and development in the sustainable prosperity of 2014 was the radical notion that land use planning should be integrated with the planning for all other regional needs such as transportation, water, education, and economic development. This meant that decisions about new infrastructure investments were also placed through the lens of whether or not the infrastructure could be more efficiently created if land use patterns were more efficient. The regional districts recognized that people would move to land if there were roads and the land had access to water, sewer, and even was close to schools. So they recognized that you had to locate new facilities to make best use of existing infrastructure and create incentives for people to live nearer to these existing investments in infrastructure. Fortunately, this concept seemed to work, as people were happier to pay less for infrastructure by living closer to existing investments.

Why Does Smart Growth Work Better than Urban Sprawl?

Prosperity: Succeeds economically and attracts businesses and a skilled workforce

Sustainability: Consumes less land and water, causes less pollution, and preserves farms and wildlife habitats

Quality of Life: Creates more choices in transportation, affordable housing, and jobs for all residents

Collaboration: Encourages greater participation in community planning and civic life

What Are the Principles of Smart Growth?

1. Mix land uses.
2. Take advantage of compact building design.
3. Create a range of housing opportunities & choices.
4. Create walkable neighborhoods.
5. Foster distinctive, attractive communities with a strong sense of place.
6. Preserve open space, farmland, natural beauty, & critical environmental areas.
7. Strengthen and direct development towards existing communities.
8. Provide a variety of transportation choices.
9. Make development decisions predictable, fair, & cost effective.
10. Encourage community and stakeholder collaboration in development decisions.

What Are Some of the Ways to Make Smart Growth Happen?

- Support well-designed developments.
- Conduct community vision exercises.
- Implement participatory regional, citywide, and neighborhood planning.
- Build coalitions that include the entire community: businesses, schools, social equity groups, environmental organizations, elected officials.
- Encourage the public to vote for Smart Growth and Smart Growth candidates.

(Source: Smart Growth America)

Innovation and Entrepreneurship: Excellence in Research; Excellence in Commercialization

The creation of an innovative and entrepreneurial region came about as each of the region's research institutions changed key policies. In particular, UBC-Okanagan, PARC, DRAO, and Interior Health all rewrote their personnel policies to include rewards for faculty and staff to develop innovations. These new policies opened up opportunities for research partnerships with external partners and resulted in faculty and staff generating more ideas for start-ups. Ultimately, the region became more attractive for faculty and staff and any openings were highly sought after.

To support the development of new innovations, the region successfully established gap, pre-seed, and angel funds to enable research to become products. This resulted in a higher volume of start-ups that mature and give rise to serial entrepreneurs.

Additionally, the region created advanced tech transfer and intermediary mechanisms for commercialization. This included several new R&D institutes at UBC-Okanagan, a world-class technology park built in a former rock quarry, as well as new locations for new firms. These assets resulted in the improved creation, expansion and attraction of firms. These firms found it easy to attract the best people to the Okanagan from across Canada, the U.S., and around the world.

Overall, the region successfully promoted itself as innovative entrepreneurial centre. As it became better known for its innovations, UBC-O became the most desirable campus in BC and the hardest to get into. Much to the glee of local school districts, local high school graduates still earned some of the highest scores on exams and were among the most competitive students in the Province. This resulted in a sustainable process where the region's children were able to receive education from internationally renowned experts while still studying issues directly related to their region.

Regional Impacts: Prosperity, Sustainability, and Equity

Overall, the impact of sustainable prosperity was clearly evident with the clusters.

Tourism

Tourism became known as a place for both outdoor/natural and arts/cultural activities. The improvements to the region's quality of life translated into more tourists. The creation of the regional focus on sustainability resulted in new tourism products such as true eco-spas. Most importantly, the benefits to tourists were also the benefits to residents. Visitors often exclaimed that they wished they could live in a place with such great natural beauty and relative isolation from the rest of the world yet still have access to high quality art, theatre, and music. Some claimed the region was a "Crested Butte meets Santa Fe". In other words, are region where hiking, mountain biking and skiing, with art museums, colleges and distinctive architecture come together in a delightful, effective package.

Wine and Beverages

Wine and Beverages was able to truly achieve distinction in particular varietals. While ice wine was still highly sought after internationally, the region became known as an exciting new wine region, producing an array of world-class and highly-acclaimed Chardonnays, Pinot Gris, Pinot Noirs, Merlots, and other distinctive fruit forward wines. The wine cluster was also able to further create the linkages with tourism and agriculture. Fine restaurants served local wines paired with new dishes created with local produce. In a sense the region became Lake Tahoe meets Napa Valley a beautiful lake area with wine in a northern climate yet international recognition for particular varietals and cuisine.

Value-Added Agriculture

Value-Added Agriculture saw a renaissance in sustainable prosperity. Urban growth boundaries preserved farmland and took away the competitive pressure on the land. At the same time, local residents began demanding locally grown produce and a "slow food" movement took off in the Okanagan. Local producers realized that their produce could be sold at a premium to local residents and restaurants. At the same time, agricultural producers

identify new export potential with on-site value-added activities (such as ice apple wine, Okanagan cheeses), tourism based agriculture, and direct marketing to clients (such as table cherries cold shipped to Europe, Pacific Rim). Furthermore, research at PARC and UBC-Okanagan helped farmers with new crops and resulted in the creation of a number of new ventures. The millions in licensing royalties flowing back to PARC are then used for more product development for the local cluster.

Life Sciences

Life Sciences also entered a new phase where hospitals become centres for care and research with commercial potential. Not only did innovations in care result in decreased hospitalization a far higher level of continued autonomy for older adults and improved health among regional residents, but new processes and products resulted in spin-offs from Interior Health and growth in jobs for the region's now growing life sciences cluster. These spin-offs encompass both new health care enterprises that meet growing regional needs but are also globally franchised care provider models and services, but also technological innovations arising from applications arising from distinctly regional discoveries. Many of these are made possible through the maturing relationships between the Health Authority, UBC-O and entrepreneurs across the region.

Knowledge Services

Knowledge Services also benefited from the sustainable prosperity. Improvements to the region's quality of life continued to draw highly educated and skilled workers as well as start-ups from other regions seeking the Okanagan's distinctive environment and lifestyle. As people moved to the area, they formed new companies and continued to sell their services outside the region. OSTEC's embracing of the cluster concept allowed OSTEC to help provide networks with outside regions and expand the knowledge services" exports. The region became known as a hotbed for enterprise formation and attraction—particularly in specialized engineering and software. This raises the visibility of the region among larger firms among whom the region can now choose more selectively—to ensure compatibility with needs and synergistic opportunities.

Aviation

The Aviation cluster was able to expand once the airports found common ground. Each airport chose to pursue a related but distinct aspect of an overall airport strategy. The result was that new high value-added aviation firms were attracted to region and manufacturing and avionics develop to a greater depth, with specializations in avionics and aircraft services and production that are compatible with the region's size and accessibility.

Forest Products

Forest Products also saw a new future through the development of sustainable harvesting techniques. This was possible as forest lands became no longer threatened by overdevelopment. With a new life for the forests, the forest products companies found new markets for the sustainably forested wood, especially in the United States that becomes increasingly flooded with unsustainable wood despite a growing market demand for environmentally friendly forestry.

What Others Have Done: Cases from "Smart" Regions

The scenarios described above are about the choices facing the Okanagan region. While the challenges facing the region in 2004 are large, they are not insurmountable. Many regions throughout North America have recognized how the forces leading to destructions in their quality of life would eventually have a direct and negative impact on their economy. This is particularly true for tourism and lifestyle-based regions known for their natural beauty.

The following cases are drawn from a number of tourism and lifestyle regions as well as fast-growing former agricultural regions. They demonstrate specifically some of the policy tools which have been used to control and manage the negative impacts of growth.

Aspen, Colorado: Growth Management and Controls

This heavily visited ski resort community has adopted a number of measures to manage growth and create a more liveable community. In 1976, Aspen adopted a Growth Management System (GMS) that established an annual growth rate of 3.47% and included a provision that infrastructure and needed employee housing became the responsibility of developers who received annual allotments to build. Updates to the GMS in 1995 and 1998 established a population cap and further reduced the growth rate. Aspen's Community Plan published in 2000 builds on this effort, recommending the creation of a new Aspen Community Growth boundary that might require some rezoning and special incentives within the city to encourage infill development as well as the creation of affordable housing. Another objective of the plan is to limit automobile traffic in the city by developing a multi-modal valley-wide transportation system. Strategies adopted by Aspen to date include traffic-calming, design of traffic minimizing intersection, use of roundabout intersection design, and the construction of intermodal facilities that facilitate the use of public transport. Aspen has also promoted green building codes that emphasize efficient energy use. Sustainable design features of ski resort facilities include energy efficient building shells and HVAC systems. In addition, Aspen launched the Renewable Energy Program (REMP) in 2000, which charges new homeowners fees for exceeding maximum square footage ceilings and energy usage budgets. Fees collected under REMP are directed to local energy efficiency and renewable energy projects.

Fort Collins, CO: Neighbourhood Character and Aesthetics

Faced with a growing population and increasing congestion, the City of Fort Collins adopted a new City Plan and zoning code in 1997 that promote the aesthetic character of neighbourhoods, while boosting density and increasing the availability of transportation options. Specific features of the code include: "mixed use" zoning for all new neighbourhoods, enabling stores and workplaces to be constructed within walking distance of homes; requirements to provide for a mixture of housing types and the prohibition of "cookie-cutter" construction; the provision of narrower streets as well as requirements that guide garage design; requirements that 90% of new homes in large developments be located within one-third of a mile of a park; and, provisions that require large developments to include a neighbourhood center with accessible outdoor gathering space and a convenience center. The revised plan also attempts to make mutually supporting transportation and land use decisions by providing residents and visitors with a number of transportation options and by directing development in concert with existing bus routes. In addition, the City promotes affordable housing creation via land banking and an array of financial incentives for developers, including development impact fee payment rebates and delay mechanisms.

Crested Butte, Colorado: Directing Growth through Incentives

In 1997, the community developed a plan based on growth management that outlined how and where growth should occur, basing such determination on the carrying capacity of the land. (Note: Land with less carrying capacity includes those with attributes that make it difficult for construction, those with resources that the community values and wishes to preserve). Lands with neither resources nor construction limitations were targeted for future growth and proactive steps were to be taken that promoted the development of a small and compact pedestrian-

oriented town. In addition, the plan sought to preserve as much open space as possible for habitat, views and ranching. Ranchland protection in Gunnison County (where the Crested Butte resort is located) has been bolstered by the channelling of state lottery funds into the purchase of agricultural easements and a county dedicated sales tax for open space conservation. Crested Butte also began collecting a real estate transfer tax for open space protection in the early nineties.

Telluride, CO: Green Buildings and Affordable Housing

In 2003, Telluride adopted a new energy efficient and environmentally responsible building code, the fourth such city in Colorado to do so. The mandatory green building code, which will have a one-year voluntary implementation phase-in period, allocates points for different environmentally responsible and energy efficient measures incorporated throughout a project's design and building phases. Each building must accrue a minimum number of points, the number of which will vary depending on the size and the scope of the project. Telluride has also focused on the creation of affordable housing opportunities through the provision of a qualified work force, the reduction of regional traffic and commuter congestion, and the preservation of community character. Specifically, the City is focusing on three mechanisms to directly provide affordable housing: land acquisition and public housing development; regulatory mechanisms including mandatory developer affordable housing set-asides that require the provision of that affordable housing for 40% of new employees generated; and, financial incentives such as down payment assistance.

Park City, UT: Shaping Development

This ski resort community of approximately 7,000 residents has regulated where and how development should occur through site-specific building and design standards, including a historic district and sensitive lands provisions. The City has required larger projects to have phasing plans and to demonstrate that adequate services and facilities are available. New development has paid impact fees for many years. In addition, Park City is adopting a multi-dimensional growth management system composed of three strategies. The first strategy is to make Land Management Code adjustments to reduce growth incentives and minimize the impacts of growth. The second strategy is to refine the City's annexation policies so as to achieve such benefits as preserving open spaces, creating buffers, and creating desirable City gateways. The third growth management strategy is the transfer of development rights (TDR) so as to attain open space where multiple owners exist, by directing development to sites preferred by the community. Supporting these policies is a transportation plan that will provide a balanced and integrated transportation system for residents, visitors, and employees. The land use elements of the transportation plan include clustering land use densities close to major transit stops, mixing land uses and encouraging site design that serves both auto and transit users.

Whistler, B.C.: Comprehensive Village Planning

Canada's Whistler-Blackcomb Mountains Ski Resort owes much of its success to a comprehensive planning process that has resulted in a vibrant and cohesive village at the base of the mountains. Originally the site of the regional garbage dump, the village was developed under the authority of the Whistler Village Land Company, a municipal development corporation. Committing to a public-private partnership and extensive community participation throughout the planning and implementation stages, the municipality issued design guidelines in 1977, which included the creation of a distinctive town center, the development of a human-scale village emphasizing pedestrian traffic, and an emphasis on variety in the scale and design of village

buildings. Individual properties were designed and constructed with extensive oversight by the municipality to ensure conformance to the village plan. The result of this controlled development process has been the creation of a compact, pedestrian-friendly, 250-acre core village that attracts a large population of tourists throughout the year. Recently, the resort established an environmental management system; signed onto the Whistler Sustainability Initiative in an attempt to become the first sustainable resort community in the world; and, developed a Whistler Village Enhancement Strategy, modeled on the original design guidelines. Additional efforts towards smart growth and sustainability include installing geothermal heat exchange systems, increasing transit ridership, and establishing an Environmental Legacy Fund, financed through excess landfill tipping fees The resort has received widespread recognition for its commitments; in 2000, Whistler Village received the Urban Land Institute's prestigious Award of Excellence for demonstrating resourceful use of land, design, financial viability, relevance to contemporary issues, and sensitivity to the community and the natural environment.

What Others Have Done:
Cases from Former Agricultural Regions

Sacramento, CA: Regional Visioning to Create New Land Use Plan

Sacramento is California's state capital and the centre of a fast-growing and dynamic region. Originally surrounded by agricultural land, its suburban communities have stretched the region north, south, and east consuming farmland land at a rapid rate. As the region has grown, congestion has increased, air quality has declined, and residents increasingly complain about a declining quality of life. Despite growing prosperity, the region is concerned with its long-term sustainability. Planners project that region will add over a million more people and 600,000 jobs in 25 years.

In an attempt to begin controlling some of the regional growth patterns, the Sacramento region has undertaken the Sacramento Region Blueprint Project. This initiative will try to determine a preferred land use, transportation, and air quality strategy by residents for the six County Greater Sacramento Region. This visioning process joined a broad range of stakeholders from local business, equity, and environmental organizations to local and state government. The project proceeded by analyzing a base case scenario and comparing the current trends against the allowable growth existing in general plans. This analysis suggested that there is insufficient planning for the projected growth. The process involved over 40 neighbourhood and countywide workshops which involved over 2,500 participants. This led to an event this past Spring where over 1,000 people analyzed and voted on a preferred development scenario for the region.

The outcomes of the project will include changes to the region's Metropolitan Transportation Plan as well as additional funding from the region's Council of Governments has already earmarked $500 million in funding for specific "smart growth" projects. This project emerged from stakeholders long frustrated with the ways in which transportation funding decisions and policy proposals were being made independent of consensus on regional land use. In other words, new roads were funded without regard to how the new road would induce additional development in an area and further encourage residents to move further from the regional centre. Most importantly, however, the project will result in commitments from many jurisdictions to change their comprehensive plans.

Riverside, CA: From Orange Capital to Sprawl Capital

Founded in 1870 by a group of Easterners, Riverside, California was a rural community 100 km east of the still small city of Los Angeles. Given its climate, the region began importing orange trees and soon was one of the centres of the orange industry. By 1882, Riverside boasted half of the over 500,000 citrus trees in California. The city soon developed leading edge innovations in citrus production such as refrigerated railroad cars and new irrigation systems. By 1895, the Riverside was one of the wealthiest cities per capita in the state. It also had the first golf course and polo field in Southern California. Its hotels attracted Presidents and movie stars and wealthy migrants built lavish homes. In short, Riverside was able to use its natural advantage of a warm sunny climate to create large growth in a high value-added industry at the time – oranges. The surrounding region reaped the benefits of this industry through the attraction of wealth and prestige.

Unfortunately, the history of Riverside since the beginning of the 20th Century has not continued the movement towards value-added activities. As Los Angeles grew, Riverside continued its agricultural production but lost its allure as a vacation area for the wealthy. When the suburbs of Los Angeles eventually spread east to the outskirts of Riverside, it too became part of the greater Los Angeles metropolitan area and its orange groves fell prey to suburban development. Now in what were once orchards are freeways, subdivisions, and fast-food outlets (not too dissimilar to the "sunshine eclipse" described above). As suburbanization spread through the Riverside and further to the east, Riverside began a slide down into lower value-added activities and roles. Today, Riverside is considered to be the place one goes to buy a cheap house and then commute 90 minutes back to Los Angeles or even San Diego for a well-paying job. Its industries are no longer competitive. In fact, in 2004, Riverside was named America's worst region for urban sprawl. On a scale from 0 to 200 (0 being most sprawl and 200 least), Riverside/San Bernardino received a composite score of 14.2. The next most sprawl region was Greensboro, North Carolina followed by Raleigh-Durham, North Carolina and then Atlanta, Georgia. Least sprawling regions included New York, Providence, Rhode Island, and San Francisco, California.

The once great orange groves received the worst score for urban sprawl because:

> "It has few areas that serve as town centers or focal points for the community: for example, more than 66 percent of the population lives over ten miles from a central business district;

> "It has little neighbourhood mixing of homes with other uses: one measure shows that just 28 percent of residents in Riverside live within one-half block of any business or institution;

> "Its residential density is below average: less than one percent of Riverside's population lives in communities with enough density to be effectively served by transit;

> "Its street network is poorly connected: over 70 percent of its blocks are larger than traditional urban size."

(Source: Smart Growth America, http://www.smartgrowthamerica.com/sprawlindex/MeasuringSprawl.PDF)

Lessons from the "Future":
The Okanagan Can Learn, But Will It?

Impact: Consequences of Choices

The two scenarios—the Sunshine Eclipse and Sustainable Prosperity—are both distinct possibilities for the region based on current trends. Residents should watch out for early indicators of one scenario or another. The actual path the region takes is up to today's residents. In particular, the outcomes of this Okanagan Competitiveness Strategy will be key shapers of the new Okanagan.

A past attempt to predict the future should serve as a reminder of the difficulties engaging in this activity as well as how the "worst" prediction imaginable can still be only a shadow of what reality truly becomes. In 1970 a group of Okanagan leaders commissioned a study of population growth. They saw a fast growing Okanagan and feared the impact on the water system. Their vision and intuition were correct to realize that water would be a growing concern in the region. However, when they made assumptions for three different population growth trajectories for the valley, their "highest growth" assumption still fell far short of actual growth since 1970. In effect, their worst case scenario was still better than what the region actually experienced. So the history of the region proves that it is possible to grow more quickly and destructively than one can ever imagine—even with some of the region's best minds at the table planning ahead for that day.

The following chapter describes how the region is choosing to begin tackle these challenges of growth, innovation, equity, and collaboration. Implementing the defined "flagship" actions will be a crucial step towards defining a future that is both sustainable and prosperous.

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6. Choosing Our Future: Regional Flagship Initiatives

Collaborative Regional Ventures

One of the major concerns that arose during the Okanagan Sustainable Prosperity Strategy has been concern for the ensuring a viable economy will not losing the region's high quality of life. Balancing these two priorities is the essence of what this strategy is about. Yet the collaborative strategy process has shown how at risk our region actually is, how precarious our current balance is on matters of growth and economic vitality. To ensure that these concerns are defined in a manner that focuses on and reconciles the solutions rather than polarizes them, the strategy process is designed to build regional initiatives that are driven by commonalities that stretch across the region's economic drivers—its industry clusters. Not surprisingly, as we will see, sustainability and prosperity are inextricably connected. This is both fortunate and challenging as these discoveries have raised profound challenges for the region that, if not addressed, could hamper if not seriously impair this region's ability to achieve a desirable future. In fact, the evidence of the collaborative regional strategy attests to the need for the Okanagan to now choose its future and begin to work aggressively to address these broad regional issues. If successful, the resolution of these issues will not only enhance industry competitiveness—the formation, expansion and attraction of industry—it will also safeguard the fundamental values that regional residents hold dear. Failure to do so may, as the scenarios suggest, may lead the Okanagan down a path from which there may be no satisfactory return.

Why Flagships: Rising to Crosscutting Challenges

Successful regions have historically been ready to change. Change may take the form of tough decisions or hard investments. When many industry clusters share in common the same broad concern and that concern affects their willingness or ability to grow—whether it is availability of skills, innovation, financing, land or water—this is a sure sign that the region needs to take action. We call these crosscutting initiatives "flagships" as they are often big, broader in focus and often more complex and time consuming to tackle than many individual cluster challenges. When clusters help define regional flagships the message to regional leaders and stakeholders is often taken more seriously than when an issue is raised by one group in isolation. Moreover, because these crosscutting flagships are proposed by an economic lobby (the clusters), rather than a special interest, they have greater acceptance among other decision-makers.

Types of Flagships

There are two basic types of flagships. The distinction between them is important because it helps clarify their value to stakeholders. These are:

- **Legacy Flagships:** These are initiatives designed to redress or improve an enduring problem in the region. The "legacy" is historic, perhaps because people have ignored the problem, because the problem has not reached a critical mass or because of the difficulty of the possible resolution, whether costs or politics. Overcoming the legacy of inaction on a problem is never easy. Legacy flagships may require major changes in policies as well as investment—whether public or private. Legacy flagships, however, are opportunities for regions to demonstrate their innovation in collaborative solutions. Issues, such as regional planning, water and transportation are common legacy flagships.

- **Catalytic Flagships:** Often, regions will discover that many different stakeholders recognize a shared opportunity that they would have difficulty pursuing on their own. A "catalytic" flagship may be an action that, if taken, will accelerate a positive outcome, such as growth of new enterprise, across clusters, or attraction of new industry. Catalytic flagships can often be achieved by purposefully changing existing policies to inform, induce or enable a desired activity. Sometimes catalytic flagships require new investment. Successful regions distinguish themselves by their ability to use what they have in new ways, harnessing or leveraging resources so that they can undertake new activities. Catalytic flagships are opportunities to be creative and harness resources from many places and people. Examples include the founding of new institutions of higher education or science and technology commercialization organizations or the redesign of existing institutions and organizations.

Roles for Leaders to Play

Flagships are "big" and take time to realize, but they also have very high impacts on the regional economy and its sustainability. For this reason choosing how to approach their development must be handled carefully—a step at a time.

- **Opportunities to Lead:** There are big issues that the region needs to tackle. While individual communities or districts may be concerned about these issues, they may not have a regional body that can serve as the hub, facilitator or mediator in bringing all stakeholders together. When these types of flagships have been identified and there is a "window" of opportunity or growing risk, then this is where the Okanagan Partnership might propose to build a leadership team to advance flagship development and implementation.

- **Initiatives to Support:** There are issues that have many stakeholders already working hard, often through existing regional or provincial groups, boards, committees, commissions and agencies. Here, the Okanagan Partnership and its leaders can play a crucial supporting role. This role is by no means passive. In this case, the Okanagan Partnership can ensure that regional stakeholders are adequately represented, that the agenda include regional perspectives, particularly the economic dimension, represented by clusters and their needs, as well as economic input institutions. The Partnership can also offer to help host, convene, build collaborating teams and manage strategic decision-making, serving as a quality control advocate for the region.

The Initial Flagships

During the collaborative strategy process each industry cluster developed their own sets of challenges and actions. These were presented to the regional stewardship group by each cluster's co-chairs. The stewards and cluster co-chairs then reviewed these to determine which might be candidate flagships. The following are the list of the first round of flagships on which the Okanagan Partnership is already working. However, there is no reason why additional flagships cannot be started, assuming that they arise from the basic constituency of the regional economy and its stakeholders. Here are the flagships:

- **Flagship 1: UBC-O and OC Strategy.** A catalytic initiative for the future where the Partnership will lead with UBC-O and OC to align the new university's activities with the regional economy, its skill and innovation needs—with linkages to PARC, DRAO and the Health Authority.

- **Flagship 2: Regional Planning.** A legacy initiative for sustainability where the Partnership will lead working with communities and agencies across the region on growth and transportation.

- **Flagship 3: Skills Pipeline.** A catalytic initiative for competitiveness where training needs of clusters will be more systematically tracked and meet through collaboration.

- **Flagship 4: First Nations Partnership.** A legacy initiative where the Partnership will work side-by-side with First Nations and community leaders to strengthen collaboration on economic and social development.

- **Flagship 5: Regional Water Supply.** A legacy initiative where the Partnership will support ongoing efforts to establish a regional water district that can integrate management and delivery of future water supply.

- **Flagship 6: Deal Generator.** A catalytic initiative where the Partnership will support ongoing efforts in the region's communities to build the continuum of financial investment capacity from pre-seed to angel and venture capital funding to accelerate new enterprise formation.

- **Flagship 7: Regional Airport Strategy.** A catalytic initiative to increase business and visitor access to the region and enhance growth of aviation industry services and manufacturing in which the Partnership will support ongoing efforts among the region's airports to develop a plan for complementary and mutually beneficial development.

> "We have to brand ourselves as a region. It's an evolution. There's a buzz—people who are involved are beginning to feel change already."
>
> Gordon Fitzpatrick, Co-Chair Okanagan Partnership

- **Flagship 8: Regional Brand Strategy.** A collaborative effort to define the common elements for a regional brand reaching across the region's communities and across the region's clusters to find common denominators. The initiative will develop a set of mutual reinforcing brand messages and channels for the delivery of the region's emerging shared identity, seeking constructive ways to harness and coordinate ongoing marketing efforts.

Each flagship is summarized in greater detail below, with full flagship business plans contained in the appendix to the strategy.

Flagship 1: UBC-O and OC Strategy

Mission: To ensure systematic regional input to development at all levels to capture impacts of innovation.

Cluster Priorities:

- *Wine & Beverage.* Bring together teams to better link the region's science with the region's industry needs (from PARC and OUC).

- *Value-added Agriculture.* Structure a network that focuses UBC/O, PARC and others on agricultural innovation.

- *Life Sciences.* Develop a strategy and new mechanisms for a new regional science and technology "bridge" entity.

- *Knowledge Services.* Better linkages between firms, universities, and labs including tech transfer with UBC-O. Link Regional R&D Assets: Build mechanism to harness regional R&D

institutions from UBC-O, to DRAO to PARC to service Knowledge Service innovation and competitiveness

Supporting, Expanding and Exploiting Research and Technology Transfer Programs in the Okanagan

Challenge: The region faces both opportunities and challenges with UBC coming into the valley. Knowledge based industry has problems recruiting new employees and retaining current employees because the lack of engineering and advanced technical facilities, limits employee upgrading opportunities and academic and industry interaction. The region also needs to have the ability to learn the business and intellectual property skills to turn the research developments into commercially and economically beneficial products and services.

Solution: Set up small teams to build links with DRAO, RERC, PARC, OUC, UBC, the new college and industry.

General Approach: The group will continue to meet virtually and physically until a complete business plan is developed.

Steps to Develop Concept:

- Create a "steering committee" to help UBC-O and the new college in selecting, which programs and research initiatives are most relevant to the Okanagan, both to serve current needs and to address economic development priorities. Recommend research chairs to pursue.

- Expand the industrial liaison activities: OUC, NRC and PARC offer industrial assistance programs, these need to be expanded and linked together with UBC's programs, and these programs need to find new ways of soliciting industry input and participation.

- Support the development of new research facilities: Radio Engineering Research Centre (NRC Penticton); UBC-O's new research infrastructure; Definition of OC research contribution in response to regional needs and priorities.

- Encourage a continuing roundtable with UBC-O, the new college, industry and laboratories.

- Create advanced infrastructure accessible to the region.

Sources of Leadership: DRAO, RERC, PARC, OUC, UBC, the new college and industry.

Establishment of a Faculty of Applied Science at UBC-Okanagan Integrated with Okanagan College.

Challenge: Strengthening the science and technology training and research capacity at UBC Okanagan and Okanagan College.

Solution: Develop specialties of specific interest to the Okanagan Region such as: Water—Air—Environmental—Resource Management; Health Sciences—BioElectronics; Radio Engineering—Electronic Systems—Integrated Circuits; Resource Processing Technologies; Applied Computing—Robotics—Mechatronics; Aeronautical Engineering; Entrepreneurial Skills Development—Intellectual Property

General Approach: Re-establish first and second year general model.

Steps to Develop Concept:

- Meet with the current Vice Chancellor of UBC-Okanagan and Dean of UBC Applied Sciences to gain support of the proposal.

- Obtain a seat for our cluster for our advisory committee right away.

- Survey industry and include the following sectors:

    – The Okanagan High Tech Firms of approximately 200

    – The Okanagan Manufacturers of approximately 500

    – Current Okanagan Professional Engineers.

- Put forward a proposal in Summer 2004.

Sources of Leadership: The supporting team has strong engineering and related backgrounds with the acting Dean of Engineering Technology Okanagan University College (OUC), a former Dean of Applied Science, a former Dean of Science, three University professors, a former Federal Minister of Science and Technology, the Past President of the Association of Professional Engineers and Geoscientists of BC (APEGBC) as well as Engineering/CTO level and consultant Engineering representation from industry and an economic development representation from CIMI a Federal Government agency.

Establishment of a UBC Medical School Pod of UBC Okanagan

Challenge: Physician undersupply in the Okanagan must be overcome to enable adequate access to medical care for Okanagan Valley residents. There is also an undersupply of skilled health professionals in the Okanagan. Furthermore, a medical research base in the Okanagan would greatly enhance the development and commercialization of new health-related technologies.

Solution: To create a UBC Medical School pod in the Okanagan that will make it more attractive for physicians to live and work in the Okanagan Valley; create the conditions necessary to increase the training of skilled health professionals at Okanagan College Campuses; generate medical research activity to enhance existing life sciences research capabilities and thereby; enhance the development and marketing of health-related technologies in the Okanagan Valley; attract physicians, scientists and skilled professionals to live and work in the Okanagan Valley.

General Approach: Preparation of a report that addresses issues of feasibility, appropriateness and funding, and recommendation of the creation of a UBC Medical School at the Okanagan Campus if findings are supportive.

Steps to Develop Concept:

- Recruit group members from stakeholder groups.

- Establish liaison with other groups seeking the same goal.

- Identify any potential or actual sources of opposition and determine what is needed to remove their concerns. Attempt to engage their support.

- Acquire data necessary to address needs and feasibility issues.

- Recruit a report writer.

- Prepare a report to present the proposal.

- Initiate political action to promote the desired outcome, working with Okanagan Partnership Co-Chairs. Their work will address:

  – Funding sources (Federal, Provincial, Regional).

  – Federal and Provincial government buy-in.

  – UBC buy-in.

  – Regional marketing.

Sources of Leadership: A team that reflects all identifiable stakeholders who will benefit from the desired outcome as well as those who may potentially feel threatened by it will represent this community driven initiative. It will include support staff, including secretarial support and a report writer.

Create an Okanagan Research Advisory Council (ORACLE)

Challenges: Strengthening research and development activity in the region.

Solution: Nurture, evaluate, advocate, and facilitate viable research projects as proposed by teams of scientists, engineers, and innovators within the Okanagan region.

General Approach: Innovate, to formulate, to fund, to publish, and to produce economic spin-off from viable research projects.

Steps to Develop Concept:

- Identify sectors of emerging "science and technology" of particular relevance to the Okanagan Region, and to "build research" around the unique challenges and assets of the Region.

- Evaluate and rank options geared to making the best "return on investment" of available research assets and resources.

- Provide independent advice to UBC-O and other Research Institutes and funding sources, to assist them in assessing the relative merit of various research proposals or programs.

- Ensure that worthy projects can be adequately supported by existing laboratories, diagnostic facilities, equipment, and human resources (i.e., the "tools"), and to recommend new infrastructure when it is needed.

- Identify and promote the establishment of "Chairs of Excellence" in selected research fields of importance to the Region and to assist in recruiting world class Team Leaders to fill these Chairs.

- Ensure that research programs are carried out in accordance with the "norms" of academic integrity including: publication, presentation at scientific or technical conferences, and patent protection of intellectual property, when necessary.

- Continually encourage investigators and research teams to look for innovative and practical applications of their research discoveries, and to search for ways to turn every research dollar into an even greater economic spin-off to the Okanagan Region, and to the taxpayers of Canada.

- Strengthen important linkages with the National and Provincial Research and Granting Councils (such as NRC, MRC, NSERC, BC Science Council), with Okanagan College, and with Industry Sector Organizations (especially those relating to the key cluster groups. The Council will need to establish a good working relationship with UBC-Vancouver. ORACLE will be an effective instrument for the coordination and optimization of research priorities in the Okanagan.

Sources of Leadership: A small group (12–18) of senior or semi-retired scientists and engineers living in the Okanagan who have demonstrated career experience in the conduct of successful research projects in basic and applied science. These individuals should have some experience in managing large research programs within academic institutions, government laboratories, or the private sector. Each member should have some expertise or interest in one or more of the designated economic cluster groups as identified by the Okanagan Partnership.

Flagship 2: Regional Planning

Challenges: The region lacks a clear, overarching long-term regional planning strategy.

Mission: Build region's first integrated development plan for land, water, transport, air. Partnership builds regional consensus among officials, planners, chambers, through convening.

Cluster Priorities:

- ***Wine and Beverage Cluster—Governance.*** Create regional task force to work on regional beautification.

- ***Tourism—Governance.*** Create working group to provide inputs on sustainable prosperity.

- ***Value-Added Agriculture—Governance/Physical Infrastructure.*** Create a regional land use plan that encompasses the range of agricultural land use.

- ***Knowledge Services—Governance.*** Stabilize Okanagan Regional Development to Sustain and Attract Knowledge Services Enterprises (New).

Solution: To promote and initiate the development of an adaptive horizon to horizon valley long landscape plan and build a regional task force consisting of a broad representation of regional stakeholders.

General Approach: This point was not discussed at the flagship meeting and needs more input as to how to best proceed.

Steps to Develop Concept:

- Determine existing plans and planning groups and planning authorities throughout the region and put together a collection of that information.

- Encourage planners for all districts, municipalities, regional districts, first nations and crown agencies within the region to meet at a forum in October, 2004 to discuss the following: coordinating planning; determining building limits; sharing limited resources fairly; smart growth; affordable housing; agricultural land use; fire hazard management; regional beautification standards; consistent naming protocols; adapting highways programs throughout the region; and linear trails and parks throughout the region.

- Coordinate with UBC agricultural land use expertise to assist with the creation of agricultural land use plans, including: reviewing best practices from other areas to determine plans of action which can be recommended to local planning authorities, e.g., land trusts, conservation easements and lease backs for agricultural uses.

Sources of Leadership: Membership of this team seems somewhat nebulous, as there were a number of people participating at cluster meetings that appear to be interested in the flagship initiative which were not at the initial flagship meeting.

Flagship 3: Skills Pipeline

Challenge: Obtaining the skills needed for competitive cluster growth on an ongoing basis.

Mission: Connect clusters and education, training providers; add recruitment and spousal employment to pipeline activity.

Cluster Priorities:

- *Wine and Beverage.* Establish working group of training providers and industry to define training gaps to help shape needed training programs and curriculum in academic programs.

- *Aviation.* Build Aviation skills pipeline.

- *Tourism.* Create Tourism Skills pipeline.

- *Value-added Agriculture.* Establish working group of training providers and industry to define training gaps in both skilled trades and other areas to help shape needed training programs.

- *Life Science.* Prepare a regional Life Science's human resources plan. This plan should be based on an understanding of: Needs, Retention, Recruitment, Development, Delivery, Labour Issues and Skills Matching.

Solution: Create an advantage in the ability to match skills supply to demand in this region—whether for graduates or existing workforce.

General Approach: Establish an action-focused "Okanagan Skills Pipeline Network" (or analogous entity).

Steps to Develop Concept:

- *Convene Skills Pipeline Network Members.* The Co-Chairs of the Flagship and the delegates from each cluster will meet with the deans or heads of instruction for all secondary and post-secondary education institutions (public and private) in the Okanagan region.

- *Confirm Skill Demand.* Carry out a survey of occupational or professional skill demand across members of each cluster or a carefully structured "focus group" during which participants on both sides bring their own "data" and knowledge together and collaboratively explore the "gaps" that might exist between supply and demand.

- *Skills Preparation Groups.* Where there is agreement that there is a "mismatch" between skills training and labour market demand by cluster companies, then both sides can undertake simple projects through which the number of people to be trained in a given field is increased or decreased.

- *New Curriculum or Course Development.* Develop either new training curriculum or courses and in some cases new degrees (or degrees missing from the region that might benefit its cluster economy).

- *On-Line Job-Skills Marketplace.* If there is sufficient interest on the part of clusters (in particular) there may be good reason to establish a regional on-line job-skills marketplace.

- *Monitor Results.* The participants in the Skills Pipeline Flagship should set up simple criteria to measure their progress in generating more trained workers and retraining more existing workforce.

Sources of Leadership: Representatives of each public or private educational institution as well as each cluster and provincial and federal agencies, and, overtime, more specific representatives will be needed for specific action initiatives (e.g., experts in a given discipline or occupational skill from both the instructional and the employer side).

Flagship 4: First Nations Partnership

Challenge: There is a need for the region and First Nations to more effectively work together and partner in order to build a sustainable Okanagan economy.

Mission: Engage First Nations in the Okanagan as active participants in building a sustainable regional economy.

Cluster Priorities:

- *Tourism.* Establish an Aboriginal Tourism Body.

Solution: Provide a venue for the exchange of cultural values and enhancement of relations between communities; and facilitate and foster skills and training opportunities within the UBCO through the increased enrolment and support of First Nations students ensuring equitable opportunities within the post-secondary and business environment.

General Approach: Meet and develop the goals and objectives based on input from the Okanagan First Nations communities and UBC-O.

Steps to Develop Concept:

- Endorse the Short Term Business Plan for the First Nation Flagship which includes working with the ONA to:
  - Undertake a communications strategy to increase cross-cultural understanding and build the foundation for partnership working,
  - Embed the need for a parallel community economic development initiative to undertaken across the Okanagan Nation within the Okanagan Partnership documents to process would form the basis for the Long Term business plan of the OP First Nation Flagship with your leadership

- Seek and help facilitate projects that provide opportunity for genuine cross-cultural partnership working; and

- Encourage the active participation of Christina new stakeholders in the Implementation Phase of the Okanagan Partnership plan.

Sources of Leadership: First Nations Flagship Initiative Working group members, UBCO representatives, ONA representatives and First Nations educators.

Flagship 5: Regional Water Strategy

Challenge: The economy of the Okanagan is limited by water availability and quality. All Okanagan Partnership Cluster working groups identified water resources (quality and quantity) as a significant limiting factor to sustainable Okanagan economy.

Mission: Bring strong regional "suasion" to revitalize OBWB and encourage all governments to plan sustainable with respect to land and water use to maintain the quality of life in the Okanagan.

Cluster Priorities:

- *Knowledge Services:* Ensuring Water Supply: Adopt improved water management to accommodate population, including smarter water use policies and enforcement of environmental regulations.

- *Value-Added Agriculture:* Reinvent the Okanagan Water Basin Board.

Solution: Formation of an inclusive, coordinated bottom-up council tasked with partnering in order to face the challenges of the Okanagan's water resources; development of an action-focused, collaborative council in support of enhancing the effectiveness of water management activities in the Okanagan basin.

General Approach: Organize a regional water management working session in order to discuss next steps, focusing on small solutions, not grand illusions in order to develop sustainable action.

Steps to Develop Concept:

Short Term Actions:

- Facilitate a round-table to bring together stakeholders.

- Support the formation of a council tasked with Okanagan Basin Water Management.

Medium/Long Term:

- Support upcoming forum being organized by Canadian Water Resources Association (CWRA) in winter 2005: "Our limiting resource Sustainable." Water Management in the Okanagan Basin.

- Review/update Okanagan Basin Study.

- Increase public awareness on water issues.

Sources of Leadership: Okanagan Partnership, First Nations, industry and community leaders.

Flagship 6: Deal Generator

Challenge: The principal challenge is to promote new investment in the Okanagan. New investment can come from two sources—home grown investments and relocations or new investments from other regions.

Mission: Support regional financial capital/angel/venture funding initiatives.

Cluster Priorities:

- ***Wine and Beverages.*** Look into the SRED Tax Credit program.

- ***Aviation.*** Organize Business Information Sessions Between Lenders and Aviation Borrowers.

- ***Knowledge Services.*** Develop a referral network in the region for Knowledge Service providers that will foster business-to-business opportunities. Organize a systematic effort to assist Knowledge Services enterprises through the financial life cycle by helping to meet their needs for: *financial information, expanded angel networks, and financial management*

Solution: Facilitate access to financing for start-up and growth companies, certain industries, and First Nations by improving knowledge of the region and its industries among lenders/investors, and linking entrepreneurs to lenders/investors/funding agencies.

General Approach: Identify resources to complete three primary action plans, lobby government to provide portion of tax incentive allocation to the Interior, contract through an existing organization (e.g., EDC's, OUC, Community Futures, Western Diversification, other), and coordinate group to host the business advisory/mentorship and ongoing education (e.g., OSTEC).

Steps to Develop Concept:

- Enlist support of Chambers of Commerce and other regional groups to lobby the Provincial Government to increase the Venture Capital Corp tax incentives available for businesses outside of Victoria and the Lower Mainland to facilitate investments in this region.

- Work with UBC-O and its affiliates in the development of its programs and research (esp. economic) and development capabilities.

- Develop database of lenders/investors and general criteria for financing at various stages of business and industries. (Paid resource 2 months–$5,000).

- Determine and secure regional host for database (e.g., EDC, Chambers, OSTEC etc.).

- Facilitate education of lenders/investors to learn about certain industries—(e.g., Aviation, Forestry, Wine & Beverage)—(Corporate sponsorship or Community Futures or ? to host of seminars/workshops).

- Facilitate education of investors and companies outside of this region on the investment and business opportunities in the Okanagan.

- Work with local and provincial levels of government to provide incentives and marketing resources to attract capital and business to the Okanagan.

- Develop a marketing plan to promote the investment opportunities in the Okanagan.

- Educate entrepreneurs/business owners on how to seek financing by providing inventory of community resources, tick list of criteria to take care of (e.g., patents, incorporation etc) to better prepare themselves for a financing approach. (Paid resource—$5,000).

- Establish a business advisory program where entrepreneurs can virtually access experts in the region for confidential mentoring and advice. (Through EDC, or Chambers or paid resource to seek out experts throughout region who are willing to contribute. Paid resource—$5000).

- Publicize the Okanagan Angel Network, which allows business owners to seek angel investment. Angels can review anonymously and contact entrepreneurs if they are interested. If the network grows, there may be a need for a paid secretariat ($5,000).

Sources of Leadership: Prospera Credit Union, The Bridge Consulting Group, Sun-West Cellular, Okanagan Indian Band, OSTEC, OISD, Technology Brewing Corporation, BMO Nesbitt Burns, Pushor Mitchell Lawyers.

Flagship 7: Regional Airport Strategy

Challenge: There is not a clear development strategy on the part of the airports in the Okanagan nor a clear understanding of what the current aviation related gaps are and what the opportunities are for the respective regions.

Mission: Develop regional airport strategy for the Okanagan

Solution: Conduct a detailed S.W.O.T. analysis of all Okanagan airports and airstrips (Penticton, Kelowna, Vernon, Oliver, Osoyoos, Princeton). The specific action will appoint a leadership team with the mandate of carrying out the SWOT analysis. The analysis will include an inventory of all Okanagan aviation related business, and development of a questionnaire to be sent out to all aviation businesses identified in the inventory.

General Approach: Appoint a leadership team with the mandate of carrying out the SWOT analysis.

Steps to Develop Concept:

- Develop asset inventory / post to web site.

- Conduct SWOT analysis / post results to web site.

- Coordinate regional meeting to agree on strategy, with representatives from the three Regional Districts, Mayors, RD Chairs, First Nations Representatives, Economic Development Officers, Airport Managers, key industry personnel and Aviation Cluster members and Stewards.

- Write strategic document and implement recommendations**.**

Sources of Leadership: Vernon Chamber, BCIT, ACR Research, EDO- Vernon, and other noted regional aviation leaders.

Flagship 8: Regional Brand

Challenge: The current external image of the region is unclear and underdeveloped.

Mission: Build from cluster strategies and move to broader core brand vision, while focusing on using "Okanagan" is us! Build on existing efforts, but channel into regional initiative.

Cluster Priorities:

- *Tourism.* Define and Develop an Okanagan Brand

- *Value-Added Agriculture.* Explore how to do "co-branding" by promoting the region as an entirety.

Business plan: There has not been a business plan prepared for this flagship as yet. Brand development is considered a medium-term priority.

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7. Driving the Future: The Okanagan Region's Cluster Strategies

Our Economic Portfolio Goal: Building Competitiveness

Cluster strategy is about finding commonly shared problems across members of a cluster—whether producers, suppliers or economic input institutions—and collaborating to develop creative solutions. The resolution of these problems, through new regional solutions creates a locally shared advantage that cluster members can use to compete globally. High performing regions rarely need cluster strategies. The reason for this is that their industries commonly work together on regional issues and regional institutions seek out their "customers" in specific industries to ensure they are delivering what is needed—whether skills, innovation, capital, governance or infrastructure.

High performing regions are distinct because everyone is a supplier, of some kind, to someone else, and everybody knows it. The economy is about everyone and everyone is prepared to negotiate new roles and relationships or "deals" with one another. In high performing regions colleges and universities have ongoing dialogues with each industry to align degrees and courses; universities and laboratories have both a policy and culture fostering innovation among research faculty and laboratory staff with linkages to diverse commercialization partners; there are a wide range of channels for securing capital for early stage proof of concept or production scale up that are known to entrepreneurs and existing firms; infrastructure for industry development, transportation, power and water is focused on meeting the needs of the next generation economy through technology parks and innovation zones; local governments have quality control and customer assurance programs for all services, from permits to tax assessment, and; quality of life is recognized as a "product" that must be delivered—whether affordable housing, quality schools and health care, or recreation and entertainment. No government program can deliver this outcome. Achieving an environment of advantages in economic inputs that evolve overtime as needs and opportunities change is the product of every institution and firm in a region learning the virtues and culture of collaborative innovation.

> "The Okanagan region has unlimited potential for new investment, new jobs, and new opportunities. This industry-led strategy is a valuable initiative in highlighting the opportunities that exist, and identifying ways that different sectors can work together to maximize the Okanagan's great advantages."
>
> Premier Gordon Campbell

The Okanagan's industry clusters have just started on this path and have made good headway. They have made their first inroads into collaborative strategy. By focusing on achieving small solutions they will hopefully become able to add and continue to build their competitive capacity.

Strategy Elements

As described in the introduction to the Okanagan Sustainable Prosperity Strategy, each cluster group was formed and participated in crafting their first collaborative strategy. These strategies, like this overall strategy, are living, working documents that should be the foundation for ongoing action. In fact, cluster groups began implementing actions almost as soon as they sat down together. The prospects are good for ongoing action. Each cluster strategy comprises the following elements:

- **Competitive Position Today:** ICF provided each cluster with a basic diagnosis of their competitive position relative to other regions in North America. This competitive position showed the stage of lifecycle for the cluster—seed, emerging, expanding or transforming—

their specialization (measured by location quotient), their size (total employment) and average annual growth rate. These were benchmarked to selected competitors to provide a starting point for exploring competitive needs.

- **Shared Challenges:** Each cluster group was assisted in identifying and prioritizing challenges on which they were willing to work together. The top challenges were, by mutual agreement, the focus for collaborative solutions. If the challenges can be overcome, competitive performance should improve.

- **Collaborative Actions:** Each cluster group was provided with examples of actions taken by similar clusters in other regions and were facilitated through a process of defining actions on which the participants—producers, suppliers and economic input institutions—were willing to work together. These "small solutions" are intended not only to address competitive challenges, but also to prove that the cluster can work together now and in the future.

- **Cluster Vision:** Each cluster, having defined challenges and actions and having prepared action business plans was facilitated through a process of outlining a very simple vision of their cluster three to five years from now, based on expected "return on solution". That is, what is the impact of cluster actions in terms of cluster structure and dynamism—formation, expansion, attraction of companies; and increase in employment, revenue and profitability—if they successfully implement their proposed actions. These visions are intended to remind the cluster participants why they have developed their strategy.

- **Cluster Network Decision:** The participants of each cluster—35 to 80 stakeholders— were asked whether or not they would like to continue the existence of their cluster group. Every cluster group agreed unanimously that they would like to continue to maintain and build their group as a collaborative network—with the Okanagan Partnership providing core secretariat functions, working with existing associations as appropriate.

The Cluster Portfolio

The Okanagan region has seven existing clusters that drive its economy. Described in depth in the Phase II Analytic report, these include:

- Aviation
- Forestry and Wood Products
- Life Sciences
- Knowledge Services
- Tourism
- Value-Added Agriculture
- Wine and Beverages.

The summary of each cluster strategy follows.

Aviation Cluster: Ready to Take Wing

Competitive Position Today

The Okanagan has developed a small but significant cluster in airplane maintenance and related air services, enabled by the presence of Kelowna and Penticton airports and driven by tourism. The limited data on the cluster suggests that the region's non-routine repair and maintenance capabilities have allowed it to start some aerospace manufacturing activities. In terms of its structure, the cluster has good representation in repair and maintenance, and air transportation segments,

As illustrated in the figure below, Okanagan's aviation cluster has above average concentration, but the region lags behind its competitor regions in terms of employment size, growth, and concentration. Manufacturing is a more profitable approach for many companies in the region, and this could form the basis for the region's long-term competitive advantage.

Figure 7-1.
Cluster Growth Share Matrix for the Aviation Cluster:
Thompson-Okanagan and Competing Clusters
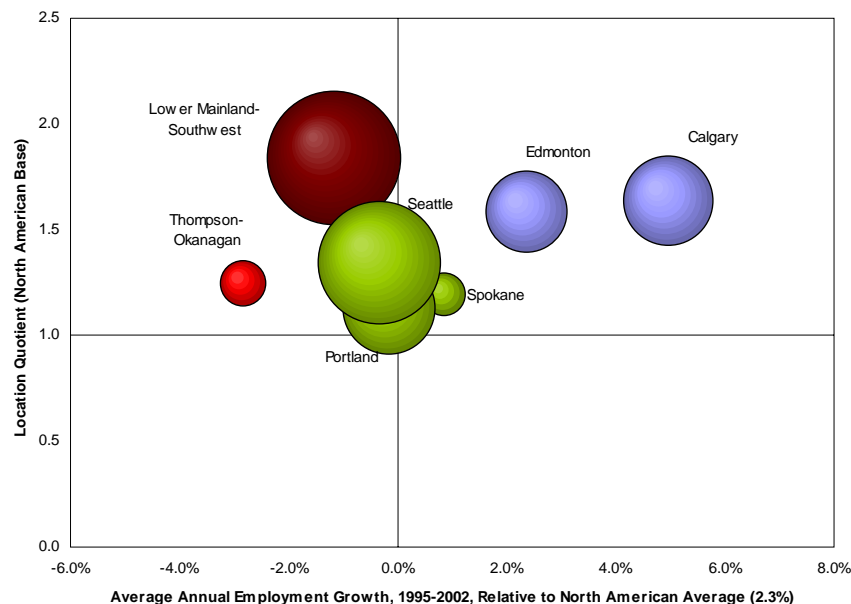
Shared Challenges: Mutual Agreements

The following are the priority challenges identified by cluster stakeholders during the first cluster workshop meeting held in March of 2004.

- *Challenge 1: Human Resources.* How to secure qualified, trained aviation personnel.

- *Challenge 2; Physical Infrastructure.* Need for integrated economic strategy to link and leverage development of regional airports and their distinct capacity.

- *Challenge 3: Marketing.* How to effectively market and develop regional aviation production and services (the regional supply chain) by connecting regional manufacturing expertise with major aviation original equipment manufactures.

- *Challenge 4: Governance.* How to ensure consistency and timely administration of policies affecting the aviation cluster.

- *Challenge 5: Finance/Capital.* Need educate lending institutions and aviation borrowers to improve lending environment.

Collaborative Actions: Small Solutions

Human Resources Skills Development For Okanagan Aerospace Industry

Challenge: There is a looming shortage of skilled aerospace workers at all levels.

Solution: Provide a training pipeline continuum for work ready employees to meet current and future industry demand.

General Approach: The Aerospace Council [ATC} will lead a valley-wide group responding to regional needs in aerospace workers and in the R & D areas. Leadership of key industry, educational, training and governmental agencies such as MOE, MAED, and ITA is essential.

Steps to Develop Concept:

- Identify the regional needs as well as those identified by CAMC and AIABC Workforce

Strategies. Working with industry, trainers, educational institutions and governments we must identify the needs and the sources of training, funding, resources and personnel to satisfy the need.

- Evaluate supply, develop new training at all levels, and create a laddered approach from secondary to post-secondary levels.

Sources of Leadership: It is anticipated that the ATC [Vernon] will have an Industry Liaison Officer who can take some leadership with respect to industry liaison and requirements in B.C., particularly with small firms, in the area of H.R. requirements and solutions.

Establish Aviation Council with a Human Resources Subcommittee

Challenge: Currently Okanagan communities engaged in aerospace training and air service compete with each other to become industry leaders. This strategy has resulted in loss of provincial funding support. The Okanagan trains 10% the people working in the industry but only receives 3% of the Provincial training funds invested in this industry.

Solution: Collaboration, partnership and cooperation between community stakeholders are critical in order to access Provincial training funds. In addition, it will lead to industry synergy that will ensure this sector continues to grow and contribute to the local economy.

General Approach: Foster and advocate for collaboration, partnership and cooperation between Okanagan communities engaged in both aerospace training and air service

Steps to Develop Concept:

- Form an aviation council.

- Establish a subcommittee of the Aviation Council that will focus on human resource requirements.

- Develop a long-term regional strategy that makes an economic case for developing training programs for the Aviation sector; identifies employment opportunities and determines how they can be filled; makes recommendations about how communities throughout the region both on supply and demand side can work cooperatively; makes recommendations about training.

- Create an implementation plan for the Regional Long Term Strategy.

- Bring the strategy forward for endorsement by the Aviation Council.

Sources of Leadership: Okanagan communities involved in both aerospace training and air service. The human resources subcommittee will specifically include all stakeholders on both the supply and demand sides of the industry, such as Training Institutes, Industry, Regulatory Bodies and Human Resource service agencies.

Devise a Regional Airport Development Strategy

Challenge: There is neither a clear development strategy on the part of the airports in the Okanagan nor a clear understanding of what the current aviation related gaps are and what the opportunities are for the respective regions.

Solution: Conduct a detailed S.W.O.T. analysis of all Okanagan airports and airstrips (Penticton, Kelowna, Vernon, Oliver, Osoyoos, and Princeton). The specific action will appoint a leadership team with the mandate of carrying out the SWOT analysis. The analysis will include an inventory of all Okanagan aviation related business, and development of a questionnaire to be sent out to all aviation businesses identified in the inventory.

General Approach: Appoint a leadership team with the mandate of carrying out the SWOT analysis.

Steps to Develop Concept:

- Develop an inventory of all Okanagan aviation related business—on and off airport sites listed under categories and location (draft completed).

- Develop questionnaire to be sent out to all aviation businesses identified in the inventory. Questionnaire to be developed by the leadership team to ensure SWOT process is included.

- Compile results of questionnaire under categories developed in the inventory using SWOT format.

- Develop an action plan on how the results of the SWOT will be pursued—move forward with implementation.

Sources of Leadership: Vernon Chamber, BCIT, ACR Research, EDO- Vernon, and other noted regional aviation leaders.

Cluster Vision: Return on Solution

Through implementing the above priority actions now, over the next three to five years the tourism cluster will achieve its "return on solution." The following are the expected results of the implementation of the priority actions. Collectively, these desired outcomes are the cluster's vision. The outcomes are organized into several categories based on how the actions are expected to impact the overall performance of the cluster and the ability to form, expand or attract new firms to the region.

Overall Performance

- Have developed more products, services, and employment. This would be the result of knowing better where to invest R&D dollars that in turn led to new aviation innovations.

- Increase the number of firms that have moved from maintenance and repair and into manufacturing, production and services. This will be a result of learning about and penetrating new markets.

- Have strengthened the distinct identity of the region's aviation cluster through expanding upon existing regional strengths in areas such as maintenance.

- Improve business and technical management as well as innovation in the aviation cluster. This will be a result of the development of strong linkages between UBC-O and OC and the aviation industry.

Formation

- Secure the creation of more competitive aviation service firms, with higher employment and revenues. This will be due, in part, to better labour market demand information helping trainers produce skills needed to enable growth.

- Have a better business survival rate because of improved skills succession that retains capabilities for effective management and operation.

Expansion

- Have more synergies among regional firms that will lead to greater savings and productivity as well as the greater use of local materials. This will be the result of enhanced networking and exchange of information and capabilities among aviation cluster firms.

- Have higher growth among existing companies and rising regional GDP through retention of regional graduates with aviation related training in more higher-paying aviation-related jobs. This will be a result of improved job-skills match between firms and training institutions.

- Grow the number of maintenance and repair operations as well as tourism. This will be due to having secured non-stop service to Toronto that tripled the number of visitors from Southern Ontario.

Attraction

- Attract more aviation related production and service firms to the region (and enhanced existing growth) because of a friendlier regulatory climate for the aviation industry. This will be due to having an enhanced certification administrative capacity within the Okanagan.

- Secure more funding from government sources for aviation initiatives in this region as a result of higher visibility of British Columbia as a centre for aviation. Improved promotion will concurrently encourage more students to choose careers in aviation. Both of these are enabled through the aviation cluster actions.

- Greater attractiveness of the region to aviation enterprises through improvement of the quality of the region's aviation skills, specialized maintenance, repair, service and R&D facilities, and local research capacity.

- Companies continue to move to the Okanagan because the region has effectively preserved and leveraged its weather and quality of life.

Forest Products Cluster: Innovating to Compete

Competitive Position Today

One of the largest clusters in the region, Okanagan's forestry and wood products cluster includes both basic resource extraction and a considerable degree of specialized, value-added manufacturing. The cluster is comprised of three segments: wood products manufacturing, forestry and logging, and support activity for forestry and logging. The wood products manufacturing segment employs the most people (9,300), followed by forestry and logging (3,400), and support activity (1,800).

Forestry is a very large part of the overall British Columbia economy and many clusters across the Province are performing well. As depicted below, Thompson-Okanagan is outpacing the North American average employment and concentration rate, but facing strong competition from the faster growing Cariboo and Kootenay regions.

Figure 7-2.
Cluster Growth Share Matrix for the Forestry and Wood Products Cluster:
Thompson-Okanagan and Competing Clusters
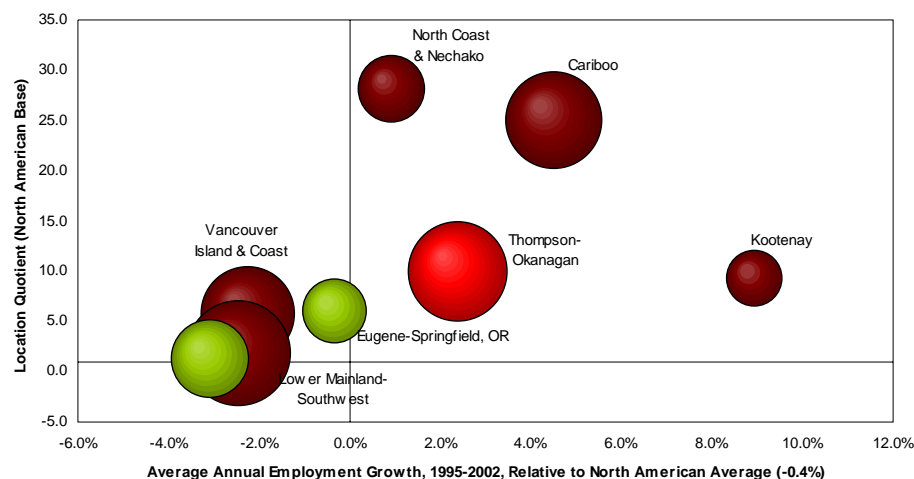
Shared Challenges: Mutual Agreements

- *Challenge 1: Marketing.* Need to develop "Okanagan specific" wood products and get them known. There is a need for market demand information to guide strategy, information sharing, better ways to educate institutions and markets about Okanagan value-added forest products, strategic planning, teaming to enter market niches/sharing orders to serve markets, building regional identity, and better information and guidance on how to compete on price as well as value.

- *Challenge 2: Governance.* Need to better manage the forestry "fuel" situation through more aggressive burn management. The alternative would be a high probability of an uncontrollable fire causing greater damage. Help is needed in educating the communities on how to work together to reach agreement on burn management issues. There are many high hazards that have not been handled to date due to public aversion to facing these issues.

- *Challenge 3: Human Resources.* The Forest Products industry needs a better alignment of training and skills development to meet current and future skills needs. These needs fall into the following types of challenges: on-the-job-training, alternative training, promotion of college and university enrolment. There is also a need to better communicate a positive image of careers in forestry.

- *Challenge 4: Marketing.* Need to increase access to fibre for all forest product businesses in this region.

- *Challenge 5: Financial Capital.* There is a need for affordable capital for technology advancement in wood working tools and products (for example, disposable cutlery). There is a need to educate financial institutions about the diversity of forest product segments and their different business cases to enhance lending and investment.

- *Challenge 6: Governance.* Need to get First Nations engaged in regional forest product business development on a more extensive basis, focusing on new opportunities for collaboration from the region up, not top down.

- *Challenge 7: Innovation.* Need to increase awareness of regional research capacity that could be more effectively used by the forest products companies in the Okanagan region. The forestry industry does use UBC research capabilities, but more could be carried out with the new UBC-O, DRAO and PARC. One area where local knowledge might be useful, for example, might be wireless tagging of timber.

- *Challenge 8: Governance.* Meet changing forest product certification requirements, and design and health standards.

- *Challenge 9: Physical Infrastructure.* Need to improve the transportation access of this region. Highway 97, in particular, is a concern to those who truck goods in and out of the region.

- *Challenge 10: Governance.* Need to reconcile weight allowances as well as width and height standards when shipping across borders by truck.

Life Sciences Cluster: Awakening Potential

Competitive Position Today

Okanagan is well known for its strengths in health care, which is a major appeal for retirees. The life sciences cluster is the region's second largest, with approximately 9,000 people employed in hospitals, 6,000 people employed in ambulatory health care services, and 4,000 employed in nursing and residential care facilities segment. This critical mass of medical professionals is a basis for a strong life sciences cluster based on medical research, medical products, or private health-related services. In addition, health-based agricultural products, including nutraceuticals, are an important branch of this cluster not captured in the assessment. The nutraceuticals segment is supported by research activities at Pacific and OUC and is a high-growth area globally.

Although the nature of the health funding system in Canada differs from other regions, the growth of life sciences in Thompson-Okanagan, compared to the cluster in Lower Midland and Victoria, is positive and a strong indication of the region's developing competencies in this area (see figure below). The Thompson-Okanagan life sciences cluster outperforms most of its competitors in growth and concentration, growing 2 percent faster than the North American average of 2.1 percent and with a location quotient about 1.2 times higher than the benchmark average. Among its competitor regions, only Calgary's life sciences cluster has witnessed faster growth.

Figure 7-3.
Cluster Growth Share Matrix for the Life Sciences Cluster:
Thompson-Okanagan and Competing Clusters
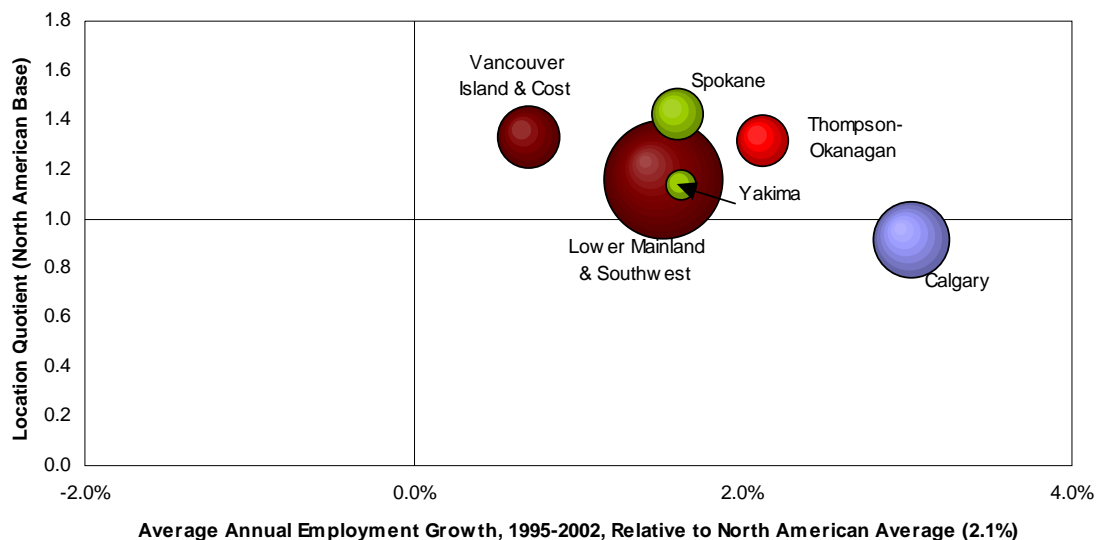
Shared Challenges: Mutual Agreements

The following are the priority challenges identified by cluster stakeholders during the first cluster workshop meeting held in March of 2004.

- *Challenge 1. Innovation:* Develop new prevention initiatives to reduce the cost of care among people of all ages.

- *Challenge 2. Marketing:* Increase the recognition and use of private health care as a resource to serve the region's growing health care needs—including linking private providers with the public health care system in new ways and in new partnerships.

- *Challenge 3. Innovation:* Build a strong research university able to serve as a regional economic engine that will strengthen the life sciences "innovation pipeline". It was also noted that there is a need for a "bridging mechanism" to better link research to the regional marketplace.

- *Challenge 4. Human Resources:* Need for a regional strategy for succession planning, retention and recruitment in life science to meet future demand for skilled medical and health professionals as the current workforce reaches retirement age.

- *Challenge 5. Governance:* Need for a long-term strategy to address challenges posed by an aging population. Identify and "capture" opportunities to grow aging related life sciences enterprises from prevention to treatment to maintaining quality of life, including new housing, lifestyle and training and employment models.

- *Challenge 6. Innovation:* Need to start and grow "green technology" in the Okanagan region, focusing on the needs of life sciences customers, with the goal of reducing energy and other resources costs.

- *Challenge 7. Information Infrastructure:* Need to develop a better-integrated health care informatics system for this region. Currently there concerns that there is a patchwork quilt of systems.

Collaborative Actions: Small Solutions

Okanagan Healthcare Informatics and Communication

Challenge: Improving on the existing data management and exchange of health care information, specifically as it relates to the centralized "Electronic Health Records" where the Interior Health Authority is collecting patient information in one area.

Solution: Create a secure, seamless system of communication and data exchange between healthcare providers and the IHA medical data systems and electronic health records, allowing practitioners a single point of access for all medical information relevant to their provider role.

General Approach: The immediate actions steps will involve working directly with IHA to secure their commitment and cooperation and then implement the project at specific test sites.

Steps to Develop Concept:

- Developing the technology (such as software tools, integration protocols and security procedures) to allow free access to Meditech and other IHA medical databases

- Implementing these changes in the IHA hierarchy and within physicians' and other healthcare workers' environments and offices.

Sources of Leadership: Given that the IHA is not likely to favour any one POS/EMR vendor over any other for integration, this action would propose to allow all vendors of POS/EMR to participate.

Forming Chronic Disease Prevention and Awareness Group

Challenge: Improving preventative care.

Solution: Lessen costs and use of health care resources; stimulate the development of new products and services related to health and well-being; brand the Okanagan as a destination place for those who have an interest in wellness.

General Approach: Address prevention through health promotion, awareness and education regarding healthy lifestyle choices especially as it relates to seniors, baby boomers, youth and members of the 1rst Nations.

Steps to Develop Concept:

- Share IP between agencies.

- Maintain an electronic inventory of resources that would include private and public resources and indicate any of those which are open to sharing resources (IP, boardrooms, consultants etc.)

- Develop more community based programs which are designed to meet the learning & retention abilities of various groups (youth, 1rst nations etc)

- Create a pilot project based on the Penticton Band's community kitchen project which was started to support and feed the Elders and addressing poverty but which has had an added bonus of serving to educate the younger band members regarding nutrition and budgeting.

- Create a Wellness Centre on 1rst Nations land which would be a world known destination location. This would heighten the Okanagan's reputation as a "happy, healthy, successful place" to visit or live.

Sources of Leadership: Private and public enterprise related to health care services; private and public colleges and universities; First Nations.

Okanagan Collaborative on Healthy Aging

Challenges: The large aging demographic in our region mandates a concentrated, cooperative and multidisciplinary approach to the study and improvement of elder health. Advancing age over 65 is associated with an exponentially rising rate of illness with resulting huge cost in suffering, loss of independence, family stress, hospitalization and premature death.

Solution: Expanding cross-disciplinary collaboration in the research community; stimulating research between clinical practice, health authority and gerontologic research communities; enhancing the existing professional development activities; collaborating with seniors' advocacy and support groups; identifying specific regional unmet biological, psychological and social health needs that should be the focus of attention for researchers; identifying gaps in the application of existing gerontologic knowledge to community practice and strategizing effective solutions; developing end of life care models that promote palliative care and maximize the incidence of timely, peaceful and dignified death in our population; identifying potential funding sources for research and implementation initiatives arising from the Collaborative.

General Approach: Unite professionals with diverse expertise in multidisciplinary research on issues related to aging, thereby enabling timely and efficient transfer of current knowledge into current best practice in health promotion, illness prevention and care of the elderly.

Steps to Develop Concept:

- Publicize the Collaborative widely in the region and invite participation

- Assemble and maintain an inventory of regional education, research, service and care initiatives related to health in the aging population

- Based on the inventory and on available professional expertise:

- Identify untapped opportunities for research and establish working groups to prepare specific research proposals as guided by regional expertise and interests

- Identify gaps in the application of current best practice in geriatric care and health promotion and establish working groups to propose targeted business proposals to address these gaps

- Create criteria for and encourage cross-appointments between UBC-Okanagan and Interior Health as a basis for enhancing communication and access to R & D grants

- Maintain a database on R & D funding sources for issues related to aging, including their stated mandates, as an element in focusing the Collaborative's direction and priorities

- Identify and establish communication links throughout the region with municipal agencies interested in issues presented by the aging demographic.

Sources of Leadership: OUC Centre for Population and Health Services Research, OUC, Image One MRI, Interior Health, OS-Health Region, Independent MDs.

Advance Care Planning for Patients Experiencing Serious Illnesses

Challenges: There is a need to respond to the health issues of the region's increasing aging population. It can be anticipated that with our significantly aging population the demand for high quality end-of-life care will continue to increase.

Solution: Develop an advance care planning program that supports the provision of end-of-life care that is consistent with the values, beliefs, and life goals of individual patients and their families.

General Approach: Conduct a study with enough scope to adequately inform the planning process.

Steps to Develop Concept:

- Developing an expanded proposal to encompass the additional patient groups as well as the added outcome measures of tracking what happens in the health care system when advance care planning is introduced and how advance care planning influences the clinical practice of key health care professionals.

- Seeking support from the Ministry of Health for access to data that will enable the creation of control groups of patients to serve as comparison points for health services utilization.

- Seeking funding. The current study involving a single patient group is funded for $50,000. Therefore, additional funding of $250,000 would be sought to expand the scope of the study

as described to three more patient groups and inclusive of health care utilization outcomes as well as outcomes from the perspective of key health care professionals.

- Submitting the proposal for ethical review.

- Expanding the research team.

- Modifying the ACP intervention to address the differences in illness scenarios for each patient group.

- Training the team to give the ACP intervention and then to conduct the evaluation interviews.

- Training selected team members for participation in the qualitative analytic process.

Sources of Leadership: Interior Health Authority and various MDs and PhDs.

Integrated Chronic Disease Management Project

Challenges: The evidence clearly demonstrates that system change is necessary to overcome the structural barriers to chronic illness care. These barriers include: poor linkages to the community for resources and policy development; poor organization of the health care system to respond to chronic illness, including inadequate self-management support, and decision support; poor delivery system design where providers find it impossible to function as a team as a result of barriers such as fee for service payment, lack of teamwork training, professional regulation, and labour adjustment.

Solution: Establish a multi-disciplinary, horizontally integrated, single site clinic for the prevention and management of the Cardiovascular Cluster of chronic diseases, to be undertaken simultaneously in both Vernon and Penticton.

General Approach: Develop and expand a polyclinic infrastructure in a multi-phased project.

Steps to Develop Concept:

- *Phase 1:* Plan integrated clinics by further defining program specific requirements, creating communication strategy and sustainability plan, and developing program protocols, evaluation, and outcome measures.

- *Phase 2:* Implement integrated clinics and move to new sites; develop integrated prevention program

- *Phase 3:* Incorporate other programs into clinics; evaluate Phases 1 and 2; implementation of integrated prevention program.

Sources of Leadership: Professional leaders from existing clinic programs and community groups and organizations—public or private—that have a shared interest in the outcome of this project.

People Helping People

Challenges: Decreased government budgets have forced reductions in support services for seniors and persons with disabilities who are trying to stay in their own homes. Changes to MHR policies strongly encourage persons with disabilities to participate in the workforce thus

increasing their level of independence. The proposed program would enable them to begin that process.

Solution: Provide a guided work experience for unemployed people that require personal management skills and/or a current work history. In turn, the participants' work experience will provide services for seniors and persons with disabilities who require home support/maintenance in order to remain in independent living conditions.

General Approach: A community approach to developing a program to fill a gap in services based on partnerships among community groups that would provide ready access for clients from various agencies. Ideally, some agencies would be capable of financial support for administration and capital funding; fee for service payments from other private or non-profit services would sustain the maintenance of the project.

Steps to Develop Concept:

- Prepare accommodation, start-up, transportation for participants, and equipment and material acquisitions.

- Develop curriculum.

- Secure qualified trainers for certificate courses.

- Market program to agencies in the community for the purpose of generating referrals and attracting customers.

- Launch a pilot program.

- Establish collaborative evaluation format to determine that the outputs have been achieved.

Sources of Leadership: Partnerships with NGO's (non-government organizations), government departments, corporations and private services.

Create an Okanagan Research Advisory Council (ORACLE)

Challenges: Strengthening research and development activity in the region.

Solution: Nurture, evaluate, advocate, and facilitate viable research projects as proposed by teams of scientists, engineers, and innovators within the Okanagan region.

General Approach: Innovate, formulate, fund, publish, and produce economic spin-off from viable research projects.

Steps to Develop Concept:

- Identify sectors of emerging "science and technology" of particular relevance to the Okanagan Region, and to "build research" around the unique challenges and assets of the Region.

- Evaluate and rank options geared to making the best "return on investment" of available research assets and resources.

- Provide independent advice to UBC-O and other Research Institutes and funding sources, to assist them in assessing the relative merit of various research proposals or programs.

- Ensure that worthy projects can be adequately supported by existing laboratories, diagnostic facilities, equipment, and human resources (i.e., the "tools"), and to recommend new infrastructure when it is needed.

- Identify and promote the establishment of "Chairs of Excellence" in selected research fields of importance to the Region and to assist in recruiting world class Team Leaders to fill these Chairs.

- Ensure that research programs are carried out in accordance with the "norms" of academic integrity including: publication, presentation at scientific or technical conferences, and patent protection of intellectual property, when necessary.

- Continually encourage investigators and research teams to look for innovative and practical applications of their research discoveries, and to search for ways to turn every research dollar into an even greater economic spin-off to the Okanagan Region, and to the taxpayers of Canada.

- Strengthen important linkages with the National and Provincial Research and Granting Councils (such as NRC, MRC, NSERC, BC Science Council), with Okanagan College, and with Industry Sector Organizations (especially those relating to the key cluster groups. The Council will need to establish a good working relationship with UBC-Vancouver. ORACLE will be an effective instrument for the coordination and optimization of research priorities in the Okanagan.

Sources of Leadership: A small group (12–18) of senior or semi-retired scientists and engineers living in the Okanagan who have demonstrated career experience in the conduct of successful research projects in basic and applied science. These individuals should have some experience in managing large research programs within academic institutions, government laboratories, or the private sector. Each member should have some expertise or interest in one or more of the designated economic cluster groups as identified by the Okanagan Partnership.

Development of Bridge Entity for Life Sciences: R&D to Commercialization

Challenges: Enable existing and potential collaborative partnerships in order to accelerate innovation and the creation of Intellectual Property in the life sciences that can lead to commercialization.

Solution: Create a Centre for Collaboration in the Life Sciences.

General Approach: Determine the feasibility of a "Centre" by developing an inventory of life science stakeholders, and forming a virtual network of stakeholders in the Okanagan life science sector to facilitate exchange of information that will assist in the development of a life science industry in the Okanagan.

Steps to Develop Concept:

- Determine who the stakeholders are in the Okanagan. This would include contracting someone to build the database.

- Formation of a virtual network of stakeholders.

- Communicate to the stakeholders the Life Science Cluster "Centre" idea.

- Further refine the "Centre" concept and develop a business plan for the "Centre."

- Develop a strategy to get funding for the "Centre."

- Implement the organization of the "Centre," i.e., hire on executive director, technical person, etc.

Sources of Leadership: UBC-Okanagan and Okanagan College, NRC-IRAP, QHR Technology, Bonaccord Consultants, Global Networks, Independent MDs.

Cluster Vision: Return on Solution

Through implementing the above priority actions now, over the next three to five years the tourism cluster will achieve its "return on solution." The following are the expected results of the implementation of the priority actions. Collectively, these desired outcomes are the cluster's vision. The outcomes are organized into several categories based on how the actions are expected to impact the overall performance of the cluster and the ability to expand or attract new firms to the region.

Overall Performance

- Have contributed to an enhancement in the region's quality of life and an improved life for older adults and the disabled. This will result from helping older adults and the disabled remain in their homes and maintain their productivity and by creating new opportunities for those who have been outside of the workforce.

- Have achieved greater efficiencies in service delivery in the region's existing health care system.

- Have helped produce a healthier population that is more productive.

- Have decreased the "lost years of life" due to better practices in managing chronic diseases.

- Have decreased hospitalization rates for people with chronic diseases.

- Have more productive and cost-effective health centres and hospitals around the region. This will be the result of improvements to technology transfer to these institutions.

Expansion

- Have facilitated the growth of private health care services throughout the region. This will be the result of increased choice and collaboration as well as through a great focus on prevention in the health care industry.

- Increase total R&D and commercialisation of research leading to the formation of more life sciences enterprises and job opportunities. This will be due in part to the growth of UBC-O and OC/OUC and because of the joint appointments between University, Health Authority, and private practitioners. This will also be due to the improved use of students in research projects working with the private sector (such as business or marketing).

Attraction

- Have contributed to a larger number of skilled workers choosing to make the Okanagan their home and life sciences firms locating and remaining in the Okanagan. This will result from improvements in recruiting efforts as well as other activities.

- Have increased the number of wellness related businesses as a result of health and wellness promotion.

- Attract greater numbers of international clientele as "health tourists" to the Okanagan. This will result from greater use of a holistic approach to healing and wellness.

- Have developed new centres of excellence in areas such as aging and/or diagnostic imaging which will result in improved attraction of experts who will help provide new knowledge for care and new innovations for commercialisation (like a Scripps Institute North).

Knowledge Services Cluster: Bright New Energy Source

Competitive Position Today

Okanagan's emerging knowledge services cluster employed nearly 9,000 people in 2002. Between 1995-2002, the cluster grew 6.7 percent annual growth. Although not yet at the critical mass of larger metropolitan areas, knowledge services in the Okanagan has grown faster than most of its competitor regions, including leading technology centers such as Vancouver, Seattle, and Boise, Idaho. Some of the factors contributing to the strong growth performance of this cluster are the region's quality of life and relatively lower business costs.

Figure 7-4.
Cluster Growth Share Matrix for the Knowledge Services Cluster:
Thompson-Okanagan and Competing Clusters
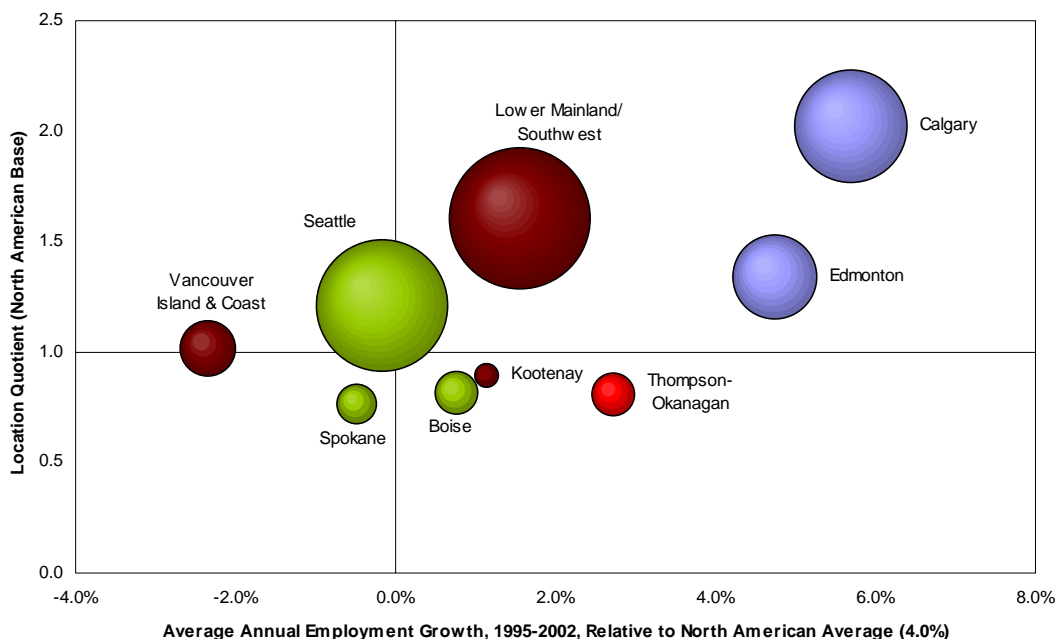
Shared Challenges: Mutual Agreements

The following are the priority challenges identified by cluster stakeholders during the first cluster workshop meeting held in March of 2004.

- ***Challenge 1: Marketing.*** Attracting start-ups from other regions and larger technology companies here, and expanding existing enterprises.

- ***Challenge 2: Innovation.*** The region needs to evolve and support the development of a strong, research university to energize the knowledge industry—both its workforce and technological innovation —OUC has important research competencies in software development, for example, that can and should be systematically linked to firms in the Knowledge Services cluster.

- ***Challenge 3: Financial Capital.*** There is a need to educate and work with entrepreneurs and smaller knowledge service enterprises to enable them to meet their financial options. This need encompasses the continuum of financing requirements from "angel capital" to building better deal volume to secure venture investment to improving access to managing commercial capital. The future goal should be to have a region that generates a sufficient volume of new deals that investors outside the region maintain a strong interest in what is taking shape in this region.

- ***Challenge 4: Human Resources.*** How to identify, recruit and develop talented and experienced knowledge services employees and professionals? The region needs to be able to recruit professionals who have good "sales engineering" capabilities and engineering staff. The key issues are to attract from outside the region and identify those whose skills can be upgraded to meet new skills requirements.

- ***Challenge 5: Innovation.*** The Okanagan region needs to generate more start-ups and spin-offs in the knowledge services if it is to become recognized as a distinctive centre and grow—Addressing this need may require fostering more regional entrepreneurship in knowledge services and improving institute-to-enterprise linkages (linking entrepreneurs to structured relationships with DRAO, OUC and PARC (or all together).

- ***Challenge 6: Information Infrastructure.*** Need for quality, high-speed Internet connectivity, high-speed networking in the Okanagan Valley. The region needs to have access to "constant" broadband (CA-Net) and high-speed research networks to accommodate technical work and exchange that is characteristic of knowledge services.

- ***Challenge 7: Governance.*** Need to ensure that regional planning, zoning and water take into consideration the needs of the Knowledge Services cluster. This may be part of one or more regional "Flagship" initiatives.

Collaborative Actions: Small Solutions

Financial Capital

Challenge: There is an actual or perceived lack of resources, both financial and business services support, and a business skills-deficit on the part of entrepreneurs and their companies (constraining the willingness of potential investors to invest in the company).

Solution: Create a one-stop shop list of skills and resources available to help entrepreneurs and businesses invest in developing and expanding businesses; develop a list of technical advisers to assist in the due diligence process.

General Approach: Create a team of industry leaders to pitch the initiative to prospective stakeholders, and raise capital and other resources to make available to local entrepreneurs and businesses.

Steps to Develop Concept:

- OSTEC members will recommend to their board that budgeted funds available within OSTEC be paid to the Okanagan Venture Network Association (OVNA) to enable OVNA to establish, maintain and market an "Okanagan Business Mentorship Network" (OBMN).

- If approved by the OSTEC and OVNA boards, OVNA will create the OBMN by drawing up a categorised list of resources available to Okanagan business people and entrepreneurs.

- The OBMN will canvas the support of the UBC Okanagan program development directorate for the establishment of an entrepreneurship program and will offer to assist the UBC O in the development of the program. The OBMN should benefit greatly from an association of this type with the UBC O.

- The OBMN will encourage, support and interact with independent initiatives that share the common goal of the economic development of the Okanagan. At this time the team is aware of, and broadly supportive of, three specific current or recent initiatives:

    – An OISD initiative to create an International Institute for Sustainable Regional Economics IISRE (working name) as a joint project between UBC-O and Mid University of Sweden.

    – A Community Futures Development Corporation (Okanagan / Similkameen) initiative to develop a Venture Capital Program aimed at the gap between "love money" and "angel" financing. The program aims to provide access to seed stage finance as well as to facilitate the transfer of skills. Overall the initiative aims to improve the climate for start-up companies in the Okanagan.

    – The Okanagan Angel Network, a group of pre-qualified angel investors / business mentors that has been meeting once a month since late 2003 to review potential early stage investment opportunities.

Sources of Leadership: Individuals with strong connections to existing and developing institutions that share the objectives of this action plan.

Establishment of a Faculty of Applied Science at UBC-Okanagan Integrated with Okanagan College.

Challenge: Strengthening the science and technology training and research capacity at UBC Okanagan and Okanagan College.

Solution: Develop specialties of specific interest to the Okanagan Region such as: Water—Air—Environmental—Resource Management; Health Sciences—BioElectronics; Radio Engineering—Electronic Systems—Integrated Circuits; Resource Processing Technologies; Applied Computing—Robotics—Mechatronics; Aeronautical Engineering; Entrepreneurial Skills Development—Intellectual Property

General Approach: Re-establish first and second year general model.

Steps to Develop Concept:

- Meet with the current Vice Chancellor of UBC-Okanagan and Dean of UBC Applied Sciences to gain support for the proposal.

- Obtain a seat for our cluster for our advisory committee right away.

- Survey Industry by May 4, 2004 and include the following sectors:

  – The Okanagan High Tech Firms of approximately 200.

  – The Okanagan Manufacturers of approximately 500.

  – Current Okanagan Professional Engineers.

- Put forward our proposal by June 4, 2004.

Sources of Leadership: Engineering Technology Okanagan University College (OC), former Science Deans, Professors, a Federal Minister of Science and Technology, and the Past President of the Association of Professional Engineers and Geoscientists of BC (APEGBC) as well as Engineering/CTO level and consultant Engineering representation from industry and an economic development representation from CIMI a Federal Government agency.

The Okanagan Technology Commercialization Consortium (OTCC)

Challenge: Okanagan research organizations are not exploiting the IP generated to full potential; Okanagan Small & Medium Enterprises (SME's), by virtue of their activity, are also generating IP but may not be exploiting it to full potential; local industry is not aware of the scope of research capacity that is available in the Okanagan region; the advent of UBC-O has generated an extremely high expectation and anticipation within the regional community as it relates to research, innovation and technology commercialization; a "common technology-bridging platform" is necessary to facilitate collaborative research and technology commercialization in the Okanagan that all stakeholders can tap into.

Solution: Create a formal association of common focus organizations that together as a collective provide full support for research collaboration and commercialization of Okanagan generated technology.

General Approach: Establish the OTCC in such a manner as to represent the interests of its constituents through individual and cooperative activities that will result in: increased interaction between researchers and entrepreneurs within our region; application of locally generated innovation (Intellectual Property—IP) to local business operations so to improve competitiveness of same; growth of existing companies; licensing deals around Intellectual Property (IP) disclosures related to technology innovations; brokered IP disclosures; certain cases establishment of spin-off companies based around technology innovations.

Steps to Develop Concept:

- Vet the concept via the appropriate OUC & UBC transition team(s) and administrators;

- Vet the concept via the Okanagan Partnership Cluster Flagship process and refine model as necessary;

- Identify stakeholder / key-players that may have been over-sighted in this draft;

- Identify and access funding to develop the OTCC further:

- – Develop full business case for the OTCC.[1]
- – Rationalize the OTCC business case to the key stakeholders for sustainable funding contribution.
- – Institutionalize the OTTC.
- Where required, negotiate agreements between key-payers (i.e., MOUs, etc.).

Sources of Leadership: The appropriate OUC / UBC-O transition teams, leaders and administrators; key stakeholders and potential partners / sponsors (OUC, UBC, DRAO, PARC, KGH/IHA, NRC-IRAP, CIMI, Industry Canada, WED).

OKKnowledgeSource

Challenge: Increasing opportunities for local knowledge professionals, developing relationships between local knowledge professionals, creating worldwide access to OKKS professionals, identifying knowledge resources.

Solution: Develop an Okanagan Valley-wide network of knowledge professionals.

General Approach: The network will collaborate to expand individual competencies, improve marketability, expand the capacity and scope of assignments and thus provide comprehensive value added solutions to a broader client base.

Steps to Develop Concept:

- Identify knowledge resources
- Liaise with knowledge professionals from all clusters
- Identify PORTAL requirements & design
- Find a working Portal (don't reinvent the wheel)
- Expand the working portal to meet OKKS requirements
- Develop a working relationship strategy with other community, professional and networking groups.

Sources of Leadership: CMA, Chamber – Penticton, CORD, D. Bourne Management Systems, Acurate Translations, Oracle DB Solutions, Actus Communications), Jarvis Business Centre.

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[1] May include: IP Audit; SWOT Analysis; Charter Development; Key Stakeholder / Key Player Agreements development; Industry Database / Information Management System Specification development; Marcom plan development; OTCC Process Map; OTCC Web Portal; IP Management Infrastructure Requirements Specification; develop individual Terms-Of-Reference for each Research Cluster and each Industry Cluster; Research-Industry Cluster Mapping , Technology Cluster Articulation & Global Opportunity Assessment (addendum to SWOT).

Supporting, Expanding and Exploiting Research and Technical Transfer Programs in the Okanagan

Challenge: Knowledge based industry has problems recruiting new employees and retaining current employees because the lack of engineering and advanced technical facilities, limits employee upgrading opportunities and academic and industry interaction. The region also needs to have the ability to learn the business and intellectual property skills to turn the research developments into commercially and economically beneficial products and services.

Solution: Set up small teams to build links with DRAO, RERC, PARC, OUC, UBC, the new college and industry.

General Approach: The group will continue to meet virtually and physically until a complete business plan is developed.

Steps to Develop Concept:

- Create a "steering committee" to help UBC-O and the new college in selecting, which programs and research initiatives are most relevant to the Okanagan, both to serve current needs and to address economic development priorities. Recommend research chairs to pursue.

- Expand the industrial liaison activities: OUC, NRC and PARC offer industrial assistance programs; these need to be expanded and linked together with UBC's programs, and these programs need to find new ways of soliciting industry input and participation.

- Support the development of new research facilities: Radio Engineering Research Centre (NRC Penticton); UBC-O's new research infrastructure; Definition of OC research contribution in response to regional needs and priorities.

- Encourage a continuing roundtable with UBC-O, the new college, industry and laboratories.

- Create advanced infrastructure accessible to the region.

Sources of Leadership: DRAO, RERC, PARC, OUC, UBC, the new college and industry.

Cluster Vision: Return on Solution

Through implementing the above priority actions now, over the next three to five years the tourism cluster will achieve its "return on solution." The following are the expected results of the implementation of the priority actions. Collectively, these desired outcomes are the cluster's vision. The outcomes are organized into several categories based on how the actions are expected to impact the overall performance of the cluster and the ability to form, expand or attract new firms to the region.

Overall Performance

- Have more high-paying jobs available in the region as knowledge services customers become aware of the skilled labour in the region. This will happen as a result of training providers becoming better linked with industry needs.

- Have contributed to a cleaner environment and higher quality of life in the Okanagan. This will be the result of smart growth and the creation of more knowledge intensive economy.

- Improve the outside perception of the Okanagan from "OK" to "Wow". This will be the result of a matrix network of existing expertise within the Okanagan that can be exported to outside the region (note: see later comment under *Expansion*).

Formation

- Witness the creation of new companies formed by students and graduates from the region. This will be the result of the cluster having successfully created an environment that encourages new enterprise formation.

Expansion

- More successfully compete and sell its services outside of the region—across BC and the global economy. This will partially be the result of improved skills within the cluster's firms.

- Have experienced a growth in total jobs and revenues (including networking and sharing) among the region's small and medium-sized enterprises (SMEs). This will result partially from expanding the regional market through providing knowledge solutions to the region's existing SME base.

- Have helped existing and new companies link research, skills, and more effectively exploit technology and put it to work. This will result from improved business skills, access to finance, as well as other items.

- Deliver higher value, new and more complex solutions and increase its "wallet share" by leveraging the range of companies within the Okanagan to more effectively export services outside the region. This will be the result of the successful creation of a network of knowledge services firms. One solution to capture more of the value-added in the region would be to create a one-stop shop for exporting services.

Attraction

- Have led to more knowledge services firms locating in the Okanagan as well as more start-ups emerging locally. This will result from the growth of UBC-Okanagan as a premier University for knowledge services graduates and faculty.

Tourism Cluster: Accelerating Diversity, Growing Value

Competitive Position Today

Tourism is Okanagan's largest cluster in terms of employment, with more than 25,000 people employed in 2002. The workforce is primarily concentrated in accommodation and food services. This cluster is driven by a broad set of attractions, including wineries and farms, amusement and recreation services, performing arts and culture, festivals, and heritage institutions. Tourism is becoming a key marketing channel and source of revenue to more established clusters in the region, including Wine and Beverages, and Value-added agriculture.

Since 1995, the tourism cluster has moved up the value chain. Tourism has increased rapidly in terms of arrivals and economic impact, and the region is experiencing longer stays, more differentiated product, and increasing expenditures per visitor day. Despite the region's above average concentration and added depth and breadth in the past few years, the growth share matrix below

indicates that the region has not grown as rapidly in terms of employment compared to its competitor clusters. As depicted, the clusters in B.C. and Alberta are outpacing Thompson-Okanagan.

Figure 7-5.
Cluster Growth Share Matrix for the Tourism Cluster:
Thompson-Okanagan and Competing Clusters
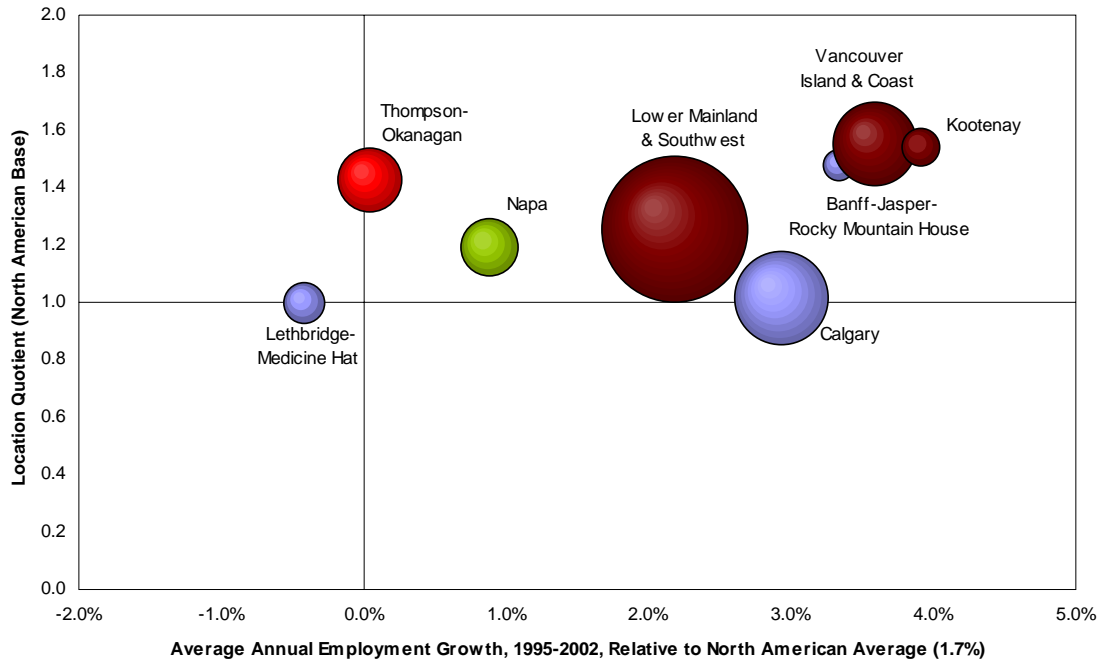
Shared Challenges: Mutual Agreements

The following are the priority challenges identified by cluster stakeholders during the first cluster workshop meeting held in March of 2004.

- *Challenge 1. Governance:* Need for regional planning to manage and preserve the Okanagan Valley's quality of life and access, as this determines whether or not tourism will thrive as a cluster; need to preserve the region's green space and agricultural land; need a decision-making process for regional land-use that screens decisions in terms of their impact on the economy.

- *Challenge 2. Marketing:* The region needs to create an Okanagan "brand" to ensure a coherent understanding of tourism offerings —the current external image of the region is unclear and underdeveloped.

- *Challenge 3. Human Resources:* The Okanagan needs to improve the quality of service personnel in order to retain visitors and strengthen image.

- *Challenge 4. Marketing:* There is a need to understand customers and better track and retain their patronage.

- *Challenge 5. Marketing:* The region needs to sustain and grow the arts and culture resources as part of overall tourism growth. Specifically, the region needs to educate provincial and federal government agencies about the importance and value of supporting arts and culture in this region—as well as explore alternative ways to generate revenue for these resources.

- *Challenge 6. Marketing:* The Okanagan needs to pull together, package and co-brand its richness of "trails"—bicycle trails, hiking trails, ski trails, golf trails and other activities that have features in common.

- *Challenge 7. Human Resources:* UBC-Okanagan and Okanagan College need to be more systematically connected to the region's tourism and hospitality businesses to feed skills and innovation in marketing and service.

- *Challenge 8. Physical Infrastructure:* There is a fundamental need for improved north-south corridor transportation infrastructure to enable more diversified growth to take shape across the region and provide more tourism opportunities.

- *Challenge 9. Governance and Infrastructure:* Need to work with First Nations on creating regional tourism products. This can begin by working together to solve ownership problems and move forward with new investments possibilities, particularly in the region's key areas of infrastructure, such as Penticton airport.

Collaborative Actions

The following five actions are summaries of the first business plans developed by members of the cluster. In the future, the cluster may develop more business plans to respond to additional challenges.

Arts and Culture Working Group

Challenge: To enhance the vitality, capacity and sustainability of the arts and cultural sector in the Okanagan Similkameen region, which will, in turn, enhance cultural tourism visitor volumes and revenues.

Solution: Foster a consistent regional approach for the development and marketing of arts and cultural amenities; create effective linkages between the arts and culture, business and tourism communities; build professionalism, entrepreneurialism and capacity within the arts and cultural sector by undertaking specific product development initiatives.

General Approach: Identify key personnel within groups and communities who are responsible for leadership in cultural policy and funding formation or revitalization of a regional arts and culture task force; regular meetings and information exchange; existing Okanagan Cultural Corridor website at www.okanaganculturalcorridor.com can become central "clearing house" for networking and information exchange; staff and resources of the Okanagan Cultural Corridor, partnered with other resources, can be used to implement marketing and product development initiatives.

Steps to Develop Concept:

- Gather information and conduct analysis of arts and cultural sector.

- Engage in planning, advocacy, and formation of alliances.

- Implement the Okanagan Cultural Corridor's existing product development strategy,

Sources of Leadership: Tourism, business, and economic development agencies.

Regional Tourism Product Packaging and Marketing

Challenge: The Okanagan has many strong tourism assets that should be organized, "packaged" and marketed with strong themes that have not yet been considered. The region also needs to reduce the barriers between various Okanagan tourism communities.

Solution: Utilize the already existing Kelowna Hotel & Motel Association (KHMA) and Adventure Okanagan Cooperative (AOC) to design and implement the proposed trade shows for regional participation. Other associations may become involved, such as motor associations, wine tourism groups, cultural corridor association, and Bed & Breakfast associations.

General Approach: The approach is to host several trade shows that will introduce tourism providers in the Okanagan to each other and reduce the barriers between various Okanagan tourism communities. The trade shows will link accommodators with nature-based, culture-based and other tour providers so that they can become familiar with each other's travel products. The trade shows will utilize the existing Kelowna Hotel & Motel Association (KHMA) and Adventure Okanagan Cooperative (AOC) as well as other associations such as motor associations, wine tourism groups, cultural corridor association, and Bed & Breakfast associations.

Steps to Develop Concept:

- Start with two tourism sector trade shows that will link accommodators with nature-based, culture-based and other tour providers so that they can become familiar with each other's travel products.

  – *Meet and Greet Travel Sector Show:* This will be product knowledge based for both management and front line tourism staff in order to learn and experience what tours and activities are available for visitors.

  – *Fall—Conference and Trade Show:* Dovetailing with a Bearfoot Canada Conference (CTC), identify what nature-based and culture-based tourism product is "out there" in the off-season and shoulder season that could be promoted, enhanced, added to and marketed.

- Design and launch a trail festival that links commercial access on 21 trail systems which could be incorporated into a Regional Trails Program.

Sources of Leadership: Days Inn Kelowna, Hannigan & Associates Consulting Inc., Bearfoot Canada (CTC) and Adventure Okanagan Co-operative, Wildflower Trails and Wine Tours, Thompson Lloyd Communications, PARC.

Establish an Okanagan Brand

Challenge: There is no unified brand of the Okanagan region and the current external image of the region is unclear and underdeveloped.

Solution: Create and implement a recognisable Okanagan brand that will clarify "the Okanagan" as a unique destination both across North America and the world.

General Approach: Hire a branding firm to build off the existing brand work such as being done in Kelowna. The initiative will also work closely with other existing regional "brands" to ensure commonality. Part of the branding process will be to define who the "keepers" of the brand are and who will lead the process.

Steps to Develop Concept:

- Identify Stakeholders.

- Acquire a branding firm.

- Create a balance with other existing community and other regionally based brands of which there are around 15 not including Economic Development, Chamber of Commerce or the city themselves.

- Collaborate with other partnership clusters on their own brand development.

- Launch and roll out new brand campaign.

Sources of Leadership: REP EDC, Tourism Kelowna; Tourism Vernon. May add EDC/Tourism Osoyoos, EDC/Tourism Penticton, EDC/Tourism First Nations, as well as the Okanagan Golf Alliance and South Okanagan Golf Alliance.

Regional Environment and Land Use Plan

Challenge: The tourism cluster's major concern in the regional planning flagship is for improvements to the Okanagan's aesthetics.

Solution: Promote and initiate the development of an *Adaptive* Horizon-to-Horizon Valley Long Landscape Plan that respects the limited/diminishing water resource, and preserves and enhances "View Corridors" ("Viewscapes") [in recognition that the "walls" of the valley "room" are a significant part of the landscape].

General Approach: The "Look" of the Valley is best dealt with through treating the Valley as a "Landscape," resulting in an emphasis on seeing that the Regional Land Use Plan incorporate a Valley "Landscape Plan—from skyline to skyline" or "Horizon to Horizon". The group also recognizes the importance of the Plan being dynamic or "Adaptive."

Steps to Develop Concept:

- Create Timeline: 3-6 months; Fall Forum end of October 2004

- Set up Interim Committee and List of responsibilities to create and maintain plan—with a view to establishing an OK Partnership Flagship supported, and sanctioned Regional Planning exercise that includes all of the various levels of Government Planning Bodies in the Valley.

Sources of Leadership: Greater Vernon Chamber, GeoQuest Excursions-Kelowna, the Bank of Montreal-Kelowna, and a group of committed residents who are architects and other professionals.

Identify and Evaluate Research to Build Tourism Performance

Challenge: Lack of information and intelligence about tourism activity in the region that can be used to inform the initiatives of planners, advertisers, and decision-makers.

Solution: To identify and evaluate tourism within the Okanagan, and provide a tool for tourism operators to use in attracting and retaining customers.

General Approach: Create an inventory for the tourism industry as a whole, and use information to target potential visitors.

Steps to Develop Concept:

- Develop an inventory of tourism operations.

- Review of existing market analysis.

- Create a database identifying where visitors come from.

- Develop advertising campaign for communities to target destination travelers.

Sources of Leadership: Business leaders from academia, industry, and government.

Cluster Vision: Return on Solution

Through implementing the above priority actions now, over the next three to five years the tourism cluster will achieve its "return on solution." The following are the expected results of the implementation of the priority actions. Collectively, these desired outcomes are the cluster's vision. The outcomes are organized into several categories based on how the actions are expected to impact the overall performance of the cluster, the formation of new firms, and the ability to help existing firms expand.

OVERALL PERFORMANCE

- Increase employment and opportunities for First Nations people across a wider range of sectors and result in increased economic benefit and incomes, greater preservation of First Nations culture and heritage, and a solidified First Nations identify with higher visibility. This will occur through expanding the number of First Nations tourism products throughout the Okanagan.

- Maintain high employment concentrations in accommodations while experiencing above average growth in arts, entertainment, and recreation leading to a location quotient greater than 1 for those segments.

- Experience higher pay in tourism jobs as a result of an overall growth in the tourism industry and movement into higher value-added tourism activities.

- Lead to a higher percentage of tourism offerings in value-added categories. For example, grow from tradition camping to more hotel/tour stays. The increased proportion of value added business would be partially the result of better land use planning.

FORMATION

- Provide an improved environment for tourism business operations to establish and sustain themselves. This will be the result of successful ongoing work of the Okanagan Partnership.

EXPANSION

- Expand/diversify visitors beyond current targets. For example, visitor diversity would rise a certain percentage from new segments of growth, including 2010 Olympics. This would be the result of improved marketing, as well as other activities.

- Increase tourism "stickiness" which is the result of longer stays, more money spent per trip or day, and greater ease of identifying local tourism offerings (finding out what is here and identifying more to do before arriving).

- Increase repeat business because visitors have a higher satisfaction rate as a result of higher quality tourism offerings, preserved standards, greater authenticity of experience.

- Reduce parochialism and increase regional planning and collaboration which will result in improvements to the region's visual appearance (through landscaping) and improved sense of place through the development of an integrated land use plan. These improvements in the visual appearance will bring in more tourists who are likely to stay longer. Achieving regional collaboration will also result in a more unified regional voice to talk with political structures to get better use of tax dollars.

- Increase the level of customer service which will cause tourists to return more and spend more money. This would result from strengthening the region's training infrastructure.

- Improve the tourism workforce's selling skills of other regional offerings. This would also result from improvements to the region's training programs.

Value-Added Agriculture Cluster: Evolving Under Pressure

Competitive Position Today

Agriculture has long been a mainstay of the Okanagan economy, but region has not developed a substantial downstream food processing industry. While employment in the agriculture and support activities segment of this cluster is fairly concentrated in the region, the number of jobs in the food manufacturing segment is only 26% of the Canadian average for a region of its size.

Overall, as shown below, the cluster's employment concentration is above the North American average, and the cluster has outpaced metropolitan areas in Inland Washington in terms of job growth. However, British Columbia's Lower Midland and Southwest region have faster growing clusters. This growth is attributed to the region's large downstream manufacturing industry. Unlike the Lower Midland and Southwest region, Okanagan's location and transportation infrastructure have inhibited a large-scale food processing industry, with the exception of a few cases.

Figure 7-6.
Cluster Growth Share Matrix for the Value-Added Agriculture Cluster:
Thompson-Okanagan and Competing Clusters
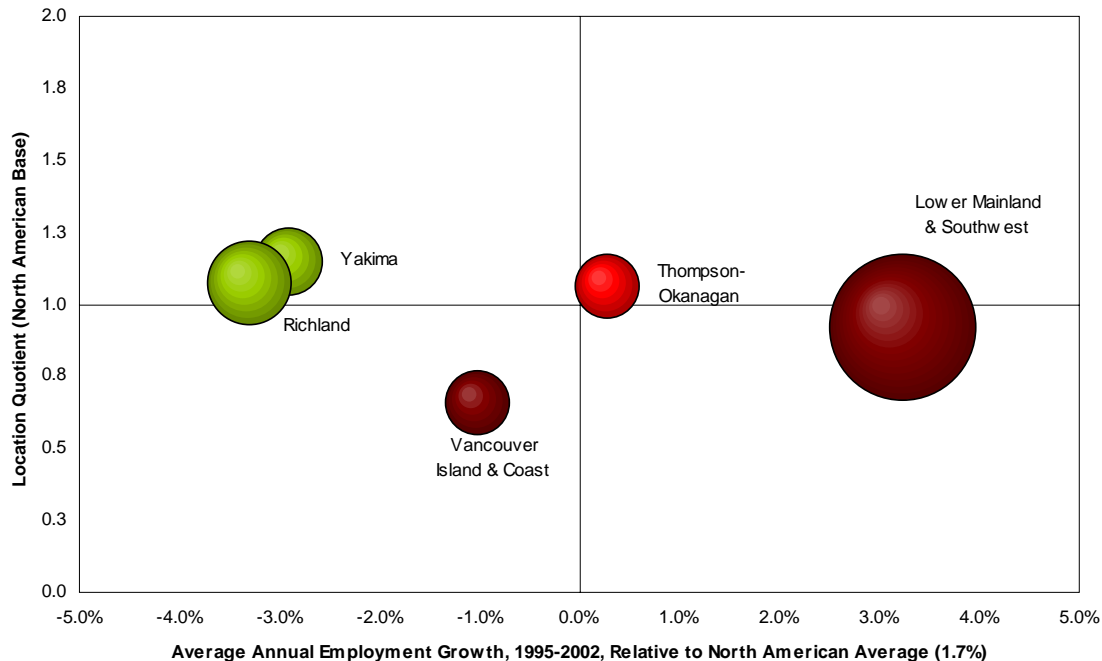
Shared Challenges: Mutual Agreements

The following are the priority challenges identified by cluster stakeholders during the first cluster workshop meeting held in March of 2004.

- *Challenge 1: Marketing.* Need to create a "brand" for Okanagan value-added products. Defining quality will be essential and it must be communicated and adopted widely if it is to be effectively used in branding.

- *Challenge 2: Human Resources.* Need to have more people trained in specific disciplines required by the value-added agriculture cluster.

- *Challenge 3: Innovation.* Need to harness the world class R&D capacity of PARC, DRAO and OUC to capture innovation in value-added agriculture for the Okanagan region.

- *Challenge 4: Physical Infrastructure.* There needs to be an Okanagan Valley-wide water and sewer strategy that address the needs of the entire region and addresses the continuum of requirements from supply to treatment for municipalities and industry.

- *Challenge 5: Human Resources.* How to attract and retain research and development "talent" to OUC (and other research settings) over time so that regional capabilities serving value-added agriculture can be expanded.

- *Challenge 6: Information Infrastructure.* The region needs to expand its capacity for high-speed data exchange.

- *Challenge 7: Human Resources/Marketing.* Need to cultivate the business acumen and skill set needed by entrepreneurs to effectively identify, screen and pursue new business development in value-added agriculture.

- *Challenge 8: Marketing.* Need to include the entire regional value-chain in cluster group activities.

Collaborative Actions: Small Solutions

Structure a Network that Focuses UBC-O, PARC, and Others on Agricultural Innovation (alternative/parallel to a Centre)

Challenge: To strengthen Okanagan Value-Added Agriculture network that links industry, government and academia to focus on research development and commercialization of value-added agriculture

Solution: Create an environment that fosters innovation, and convert innovation into commercial products that benefit the region.

General Approach: Establish, in collaboration with OSTEC or others, a forum / committee that will act as an enabler to match existing and new research with industry needs, including building on existing databases and research (e.g., OUC/PARC/Summerland Group MOU, OUC, and PARC).

Steps to Develop Concept:

- Ensure that there is alignment and commitment from all research partners (NRC, OC, PARC and UBC-O) for this initiative.

- Compile a list of key contacts within the research organizations (NRC, OC, PARC and UBC-O) for distribution to industry.

- Introduce solution providers to industry. Need to have several types of forums where industry and researchers can meet face to face. This will give industry the forums to discuss their specific opportunities.

- All research organizations need to have an Industry Outreach Liaison position. Key focus of this position would be to be in the field gaining a better understanding of industry needs.

- Enrol additional partners.

Sources of Leadership: Sure Crop Feed, Sun Rype, BCTFA, CF-OS, EDO-Summerland, C. Wilker Consulting, UBC-Okanagan, Okanagan College, DRAO, PARC and NRC.

Cluster Vision: Return on Solution

Through implementing the above priority actions now, over the next three to five years the tourism cluster will achieve its "return on solution." The following are the expected results of the implementation of the priority actions. Collectively, these desired outcomes are the cluster's vision. The outcomes are organized into several categories based on how the actions are expected to impact the overall performance of the cluster, the ability to form or attract new firms to the region.

Overall Performance

- Have expanded the amount of local commodities that are used as inputs by food processors. This input substitution will result from improvements to the quality of the local commodity inputs.

- Stabilize the incomes of cluster firms by shifting to value-added markets and products. This will result from the firms and their employees having been trained in new fields or markets.

- Become a net exporter of value-added agricultural graduates and expertise. This will result from improvements to the region's training institutions and growth of its training programs which lead to the region becoming a centre of excellence in education and training which produces a surplus of trained people.

- Have prevented the loss of the region's agricultural lands. This will result from improving the profitability of the land or the creation of new value-added firms. If the cluster identified a more profitable return to agricultural land then those lands will be less likely to be sold as commercial or residential development.

Formation

- Have formed approximately 15 new value-added agricultural start-up firms.

- Have generated more (~$2.5 million) in new revenues directly from IP in value-added products. This will include revenues from R&D institutions and companies (such as Sunrype).

Expansion

- Include a greater number of expanded and profitable agricultural firms. This will be the result of the region's cluster having developed a greater number of differentiated, innovative new products that command a higher margin.

- Increase the percentage of value-added as a share of total agricultural output from 10-15% today to 20% in 5 years? (Note: Ontario is approximately 50-60%).

- Increase primary product diversification to support value-added agricultural producers now and in the future.

Wine and Beverages Cluster: Maturing Vintners, Gaining Repute

Competitive Position Today

Wine is a significant export industry in the Okanagan region. Its employment concentration is over 100% higher than the national average for this manufacturing industry, when other beverages (beer, juices) are included. While Okanagan is the largest wine-producing region in British Columbia, it is small relative to global leaders. In the future, the region is facing increased

competition in export markets from the growth of large-scale, low cost producers in other regions, such as Australia and Chile.

Shared Challenges: Mutual Agreements

The following are the priority challenges identified by cluster stakeholders during the first cluster workshop meeting held in March of 2004.

- *Challenge 1: Governance.* Need to overcome "over regulation and taxation" of the wine and beverages industry and create a level playing field for the Okanagan.

- *Challenge 2: Marketing.* How to achieve integrated marketing across the Okanagan Valley through "re-engineering" how the region is promoted.

- *Challenge 3: Governance.* The Okanagan Valley must aggressively undertake new and better planning across all its communities, using some mutually agreed to principles, to achieve a level of "aesthetics" that will support wineries and tourism—and not undermine the region's basic asset—its beauty.

- *Challenge 4: Innovation.* Need to develop strategic research, development and testing services for the wine and beverages cluster.

- *Challenge 5: Human Resources.* There is a need for a clear skills-pipeline between the region's wine, beverages and associated hospitality industry and the region's training institutions.

- *Challenge 6: Governance.* Need to find new ways to foster understanding of the wine industry and grape growing land use issues and their relationship to the region's future economy on the part of regional stakeholders—cities and communities.

- *Challenge 7: Physical Infrastructure.* There is a fundamental need for improved north-south corridor transportation infrastructure to enable more diversified growth to take shape across the region.

- *Challenge 8: Physical Infrastructure.* Need to identify, test and implement innovative ways to reduce water usage and winter kill within the wine and beverages industry.

Collaborative Actions: Small Solutions

Spin-off GIS System from PARC

Challenge: Free the developers from the need to market the GIS product and to secure long-term sustained funding for their work.

Solution: Spin-off the GIS system developed at PARC to be applied by the private sector to help improve the quality of the grapes produced and therefore to improve wine quality in the market.

General Approach: The team will propose to the senior management of Agriculture and Agri-Food Canada (the federal agriculture department) that the results of the GIS be spun off to a private sector firm charged with merchandizing the maps and other information such as has been done with other federally owned data basis.

Steps to Develop Concept: Drafting of an appropriate letter to the new Deputy Minister and then working with his officials to achieve the desired end result.

Sources of Leadership: PARC researchers and British Columbia Wine Institute.

Collaborative to Analyze Tax and Regulatory Barriers and Provide Advocacy

Challenge: To effect change to key tax and regulatory issues identified through related research and key stakeholders.

Solution: Develop and implement an effective lobbying strategy to effect tax and regulation changes, given all relevant and up to date facts; be proactive to new issues for the wine industry; protect the current practices that benefit the industry.

General Approach: Organize a group that will analyze and assess wine and beverages tax and regulatory barriers and develop a lobbying strategy to advocate at local, provincial and federal government levels for tax and regulatory changes that will create a level and supportive playing field for the wine and beverage industry.

Steps to Develop Concept:

- Compare tax structure and other government support to other wine industry regions including Canada, Washington, Oregon, California Australia, New Zealand-government support (green) and marketing initiative programs by updating existing industry studies (including comparison to U-Vin industry).

- Link lobbying strategy to the tourism industry to develop a broader base of support.

- Develop a lobby strategy and structure to engage other sectors and government support.

- Update/add to existing industry studies.

- Initiate discussions, through the lobbying effort to develop enforceable and meaningful wine industry standards.

Sources of Leadership: Representatives from the wine, insurance, and fruit wine and distillers industries, as well as the Chamber of Commerce.

Create Consortium to Develop an Integrated Wine Tourism Marketing Strategy

Challenge: To be renowned throughout the world as a premier choice for a world class, unique and intimate wine tourism experience.

Solution: Create and market a world-class integrated multi-season wine tourism strategy that will attract and retain wine tourists from around the world, and to promote and foster liveable communities that provide sustainable experiences and opportunities.

General Approach: Build a super marketing group including key stakeholders of the Okanagan Wine Festivals Society, the British Columbia Wine Institute, TOTA, Aboriginal Tourism, the

Okanagan Cultural Corridor and all city destination marketing organizations to build a broad marketing strategy that could focus on the following strategic initiatives:

Steps to Develop Concept:

- Conduct research on all world class areas that compete for wine tourists to determine opportunities for the Okanagan.

- Complete situation analysis within the Okanagan to build on the strengths and improve weaknesses (SWOT-Environmental Scan).

- Focus on brand building such as "Okanagan Wine Country."

- Establish consistent service standard for employees at all wineries.

- Develop a Customer Relationship Management program.

- Develop an Integrated Marketing Communications planning process that will create an Okanagan Wine Country communications strategy.

Sources of Leadership: Okanagan Wine Festivals Society, Mission Hill Family Estate, CedarCreek Estate Winery, OUC Faculty of Business, Vincor and Sumac Ridge Estate Winery, Grant Thornton, BCWI, TOTA, representatives from some of the communities especially the southern Okanagan, Okanagan First Nations Alliance, Okanagan Cultural Corridor.

Design and Implement a Regional Beautification Strategy

Challenge: Improving the region's aesthetic appeal and liveability in a sustainable manner.

Solution: Build a regional task force consisting of stakeholders from all governing bodies, the new UBC Okanagan and others to build an awareness campaign.

General Approach: Prepare an inventory of the natural, academic, industrial, business and community assets of the region, and identify land-use practices which are unsustainable for ecological, aesthetic, business or community reasons; prepare a series of design guidelines for buildings and transportation systems; identify key tasks, which will allow the region to accommodate growth yet create or preserve a quality of life that will make the region one of the World's most desirable; work with all levels of government and other key partners to include the principles of beautification in the mandates, policies and practices of these organizations.

Steps to Develop Concept:

- Identify key stakeholders and organize a strategic planning meeting.

- Initiate a strategic planning process that defines the preferred future state and maps out a "General Plan" for the region.

- Investigate availability of visual planning tools to assist with an awareness campaign.

- Research current governance structures across the Regional Districts and make recommendations to them.

- Assess current wine country routes (main arteries), considering landscape, driving, cycling, walking experiences, etc. Prepare a list of obvious concerns.

- Assess public opinion on growth issues and land use.

- Seek out community and public school groups for ideas, e.g., ideas fair.

- Organize contests between communities, wineries, neighbourhoods, districts, etc.

- Brainstorm ideas for target projects, e.g., adopt a highway.

- Set values and vision for the long term—implementation will take time.

Sources of Leadership: Mission Hill Family Estate; Pinnacle Consulting; Okanagan Wine Festival Society; Grant Thornton; UBC Okanagan; CedarCreek Estate Winery; Sumac Ridge Estate Winery and Vincor.

Regional Water Management

Challenge: There are over 60 different water boards operating in the region. Last year the region had four (4) feet of new water flow into Lake Okanagan, but had eight (8) feet of water disappear from Lake Okanagan. It is projected that we will run out of water in the Valley in the next 30 years. Lakes and streams are also becoming polluted.

Solution: Develop and implement regional water management strategy to ensure water quantity and quality in the valley for future generations, improve water storage systems, develop better water conservation systems, and optimize water delivery systems.

General Approach: Work with the water groups from other clusters to develop an overall strategy.

Steps to Develop Concept:

- Revitalize the Okanagan Water Basin Board. It appears to be the logical body to co ordinate the overall program.

- Redo/update the 1969 Water Basin Study.

- Lobby the provincial government to stop the sale of foreshore lots on mountain lakes because of pollution from septic tanks, etc.

- Partner with world-class resources of UBC / OUC / PARC to help develop plan for regional water issues and develop innovative water use and conservation strategies.

- Investigate use of separate delivery systems for domestic potable water and untreated irrigation water.

- Set up a committee to lobby mayors, Regional District Chairs, and provincial authorities to support a master water plan for Okanagan valley.

Sources of Leadership: Crossflux Inc.; Byland Nurseries, Chair of Lakeview Water District.

Cluster Vision: Return on Solution

Through implementing the above priority actions now, over the next three to five years the tourism cluster will achieve its "return on solution." The following are the expected results of the implementation of the priority actions. Collectively, these desired outcomes are the cluster's vision. The outcomes are organized into several categories based on how the actions are expected to impact the overall performance of the cluster, the ability to help existing firms expand and attract new firms to the region.

Overall Performance

- Enable the Okanagan to become world-renowned as a premier choice for a world class, unique, and intimate wine tourism experience. This will lead to longer stays, higher revenue per visit, more wine tourists, and many repeat visits.

- Have employees with improved wine and hospitality skills. This will be the result of the growth of UBC-Okanagan and Okanagan College.

- Become globally competitive through better alignment of available research capacities of the region with industry needs.

- Have lowered operating costs, reduced risk and improved wine quality. This will partially result from sustainable endowment for research in wine making.

Expansion

- Expand the market share of 100% BC wines to reach the goal of 18% of total BC wine consumption. This will result from an improved regulatory environment as well as marketing activities that lead BC consumers to increasingly purchase BC wine.

Attraction

- Have created a better investment climate for investors in the wine industry. This will result from successful collaboration with planners and the achievement of a regional plan which lays out the development rules and trajectory for the region and preserves and enhances the region's beauty.

- Have reduced the seasonal fluctuations in sales and achieve a more sustainable employment level. This will be the result of successful attraction and marketing efforts which draw more tourists into the region.

- Have enhanced the viability of existing business and encouraged new business development. This will result from having rationalized and harmonized tax and regulatory structures.

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8. Enabling the Future: Implementing the Okanagan Strategy

Need: Learning to Think *and* Act Regionally

Moving Our Competitiveness Strategy Forward

The Okanagan Sustainable Prosperity Strategy has reached its first critical juncture. The strategy process has come a long way. This effort has progressed from having mobilized stakeholders to diagnosing the economy to convening each of the region's industry clusters to determine their future. Now, after well over 500 stakeholders have participated in the collaborative process, there are seven major flagship initiatives and over 40 action-focused cluster initiatives that have been designed by collaborators from this region. These initiatives constitute the building blocks of this strategy.

> "The valley will be a better place immediately, and in 20 years, because of the Okanagan Partnership."
>
> Steve MacNaull, *The Daily Courier*

Participating in the Okanagan Sustainable Prosperity Strategy has been an important experience for the private and public sector alike. All participants committed substantial amounts of their time to the collaborative strategy process and want to ensure that their efforts are moved forward. To make sure that the achievements of this collaborative strategy are continued, the regional stewards and cluster co-chairs have made a commitment to sustaining and monitoring the implementation of the Okanagan Sustainable Prosperity Strategy. Our region's implementation strategy carries forward the four key practices that characterize successful regional economies: Thinking regionally, focusing on clusters, building sources of economic advantage and accomplishing this through increased collaboration.

Commitment: The Okanagan Partnership

The Okanagan Partnership has been formed as a regional leadership organization that will provide ongoing support to the implementation of the Okanagan Sustainable Prosperity Strategy. See Figure 8-1.

Thinking Regionally: Growing Regional Leadership

This initiative has been carried out following the principle that thinking regionally is essential to economic success. The Okanagan Sustainable Prosperity Strategy brought together economic stakeholders from across the region's communities to work together on building our regional capacity to compete in global markets while retaining our distinctive quality of life. To continue this practice and sustain our regional thinking and action, the Okanagan Partnership has committed to working with the regional partners who have supported and participated in the Sustainable Prosperity Strategy as a voice for regional collaboration. In this role, The Okanagan Partnership will provide logistical support to convene regional stewards and co-chairs and report back to the region on the progress of our economy, all clusters, and their action initiatives. The guiding philosophy for this continuous improvement process is to always focus on the regional economy as "the customer". This approach ensures that all communities in the region benefit.

Create Collaborative Advantage: Build Flagship Initiatives

Flagships are often the more visible outcomes of regional strategies, but they are also more complex, larger in scope and longer in time frame than most individual cluster action initiatives.

In fact, the Okanagan Sustainable Prosperity Strategy flagships will bring delegates from three and sometimes four cluster action initiatives into collaborative partnerships, along with regional stewards, for flagship development and implementation. Flagships are intended to create distinctive economic advantage across the board for the region. For this reason, each flagship requires a more deliberate process to build collaborative business plans. Regional stewards and the team leaders for each flagship will work together to finalize business plans for each flagship and, once completed, help enable flagships to be implemented. The Okanagan Partnership and the members of the flagship teams will provide technical support and advocacy needed to move each flagship forward, reporting to the overall regional stewards on a quarterly basis. As the regional leadership process continues, there is a strong likelihood that new clusters may be identified and supported by partners from the region. Ideally, the collaborative process, which is the core of this strategy, should enable the region to continually improve its industries and economic assets. This will not only improve the region to improve its economic performance, but enable it to become more sustainable over time.

Assist Collaborative Solutions: Cluster Action Initiatives

Collaborative solutions should become a trademark of the Okanagan. The region is currently at the start of the first generation of collaborative cluster action initiatives produced by our clusters. Over 35 initiatives have been assembled through these efforts. They will each have different strengths and weaknesses and, as is often the case, some will not survive to implementation.

To maximize the prospects for achieving many small successes that lead to more collaborative efforts, the Okanagan Partnership has agreed to provide a degree of technical assistance to ongoing cluster groups and provide some oversight of their action teams. The Okanagan Partnership will work with the cluster co-chairs to support their efforts to implement each cluster's set of prioritized and agreed upon collaborative action initiatives. The Okanagan Partnership will help coordinate meetings, assist in organizational development including the recruitment of key participants, the building of partnerships across the region's public and private institutions, and the identification of needed

> "I travel up and down the Valley all the time, and everyone is talking about working together…. This [initiative] builds on much of the work that has been done by individual agencies and at a regional level in recent years. It is the next step to our growth and development as a region."
>
> Senator Ross Fitzpatrick

resources. The Okanagan Partnership team will work with cluster co-chairs and action team leaders to track and report on action initiative progress on a quarterly basis.

Focus on Clusters: Building the Okanagan's Cluster Networks

The Okanagan region has only recently discovered the importance of industrial clusters as a means for organizing competitiveness strategy. In the course of each of the seven cluster work sessions, participants found themselves in groups that represented an approximation of their regional marketplace, rather than the faces typically encountered at an association meeting. Each cluster group had representatives from industrial producer and supplier segments as well as a broad range of institutions—from universities and colleges to bankers, transportation providers, municipal, provincial and federal agencies. All of these participants were at the table together because they saw the potential to make improvements in how they worked together economically—everyone was a supplier to someone else, public or private. This process of convening the marketplace, simple as it appears, had value to those who were part of the strategy process.

After they had completed their collaborative strategy process, the members of each of the seven cluster working groups unanimously agreed to stay together to continue to watch over their action initiatives and to pursue future collaborative solutions to their competitiveness challenges. Cluster working groups will now become cluster networks. Each cluster network may work together in a different manner, each following its own particular cluster style and market dynamics. These networks will include the existing participants from each cluster group as well as new firms, associations and institutions. Each cluster will focus on the mission of convening the market to identify new challenges and collaborative solutions.

The Okanagan Partnership has agreed to support each cluster group by offering its services as the logistics infrastructure for each cluster—at least to start. Partnership staff will work with each cluster as on an ongoing basis, reporting to the regional stewards. However, should an association be ready to organize itself along cluster lines (with membership including producers, suppliers and economic input institutions) and be prepared to affiliate with the Okanagan Partnership, they may be a candidate for managing one or more cluster networks.

The Okanagan Partnership created a web site for this initiative to help participants to access materials—whether for stewards or cluster groups. The Okanagan Partnership may, over time, develop a more extensive shared information system that could be used by the region's leadership, flagship initiatives, cluster groups and action teams—a regional collaborative network (RCN). A key reason for organizing cluster working groups into cluster networks is to enable members of the production, supplier and economic input foundations of each cluster to better "convene their marketplace" to develop and implement collaborative solutions that have been identified.

Monitor and Report Regional Performance

An important feature of the Okanagan Sustainable Prosperity Strategy will be the tracking of the region's economic progress *and* the cluster and flagship activities that will shape our region's economic future. Building on the methods used in our strategy effort, this monitoring system will use qualitative and quantitative data to follow regional economic achievements, tracking progress on a continuing basis.

Ideally, the regional monitoring will track the following dimensions of the Okanagan regional economy:

- **Economic Performance:** How the region is doing in generating prosperity, reducing disparity, and enhancing sustainability through reports on the same indicators as those used in the diagnostic phase of the strategy.

- **Cluster Competitiveness:** The employment, concentration and growth rates of clusters over time, whether for emerging or established clusters.

- **Regional Economic Foundations:** The strength and success of economic input institutions that meet human resource, finance, physical infrastructure, information infrastructure, business climate and quality of life needs of the region.

- **Progress of Flagship Initiatives:** The progress and success of flagship Initiatives as they are carried out.

- **Progress of Action Initiatives:** The progress of the implementation of each cluster's action plans, as well as success in meeting business plan objectives.

These proposed monitoring activities will support the communications programs of the ongoing Okanagan Sustainable Prosperity Strategy. The quantitative and qualitative information will be used in conjunction with information provided by stewards, cluster co-chairs and their action team members on the status and improvement of the competitive development of their clusters to tell the region's story during each year. Information will be produced based on reports from action initiatives and released through the Okanagan Partnership's quarterly reports and quarterly meetings of the Partnership's stewardship group. An annual report on the state of the region may also be produced using these information sources. This report will be used to help the public participate in the evolution of the regional economy as it progresses towards its next, sustainably prosperous, generation.

Launching Our Future

The Okanagan Sustainable Prosperity Strategy is being implemented right now. Many members of the regional community have already been directly involved in shaping the action initiatives and flagships, and more people are becoming involved in carrying them out. All economic stakeholders in our region are invited to participate in helping accomplish this first generation of action initiatives and flagships. We all make choices and take actions that are crucial to the region's competitiveness. Most important, the completion of the Okanagan Sustainable Prosperity Strategy signals a sea change in our region's thinking, heralding a new era of collaboration that will enable us—through completing a number of small successes—to achieve and sustain a high performing, continually improving, regional economy.

We have taken the first steps across our region, now we must:

- *Reinforce Regional Thinking*
- *Reward Collaborative Entrepreneurship*
- *Sustain Small Solutions and Avoid Grand Illusions*

This will enable a sustainable and prosperous future.

Figure 8-1.
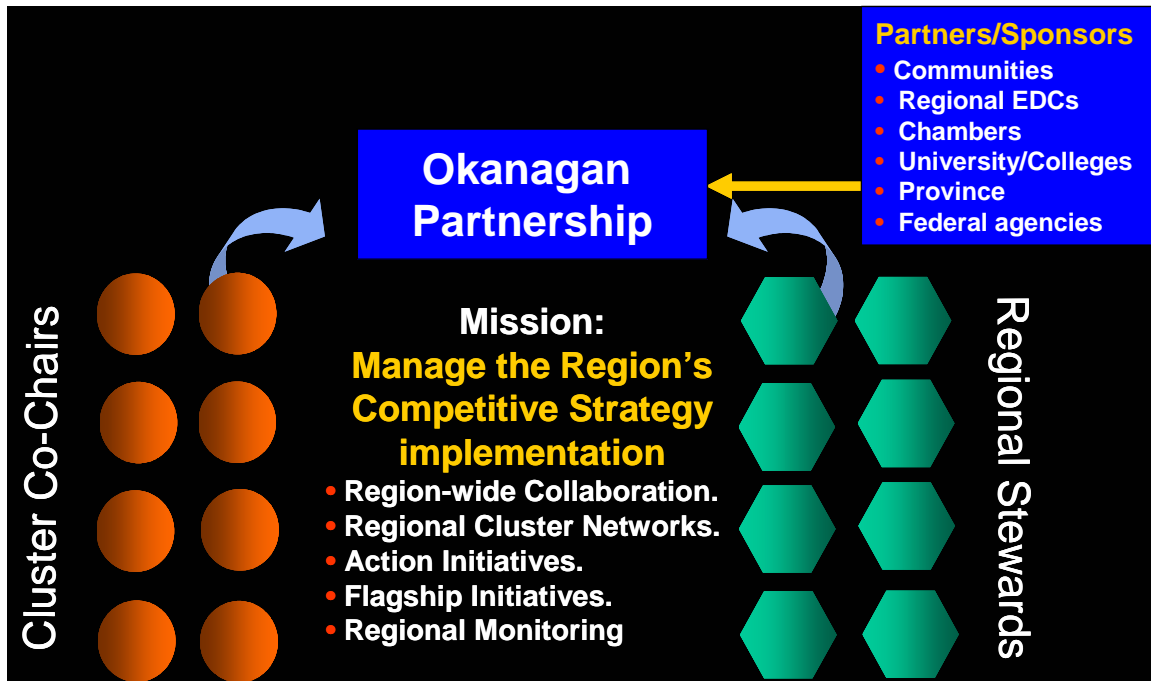**Regional Competitiveness Strategy Implementation Organization**

Figure 8-2.
Okanagan Partnership Function: How We Support Cluster Action Initiatives
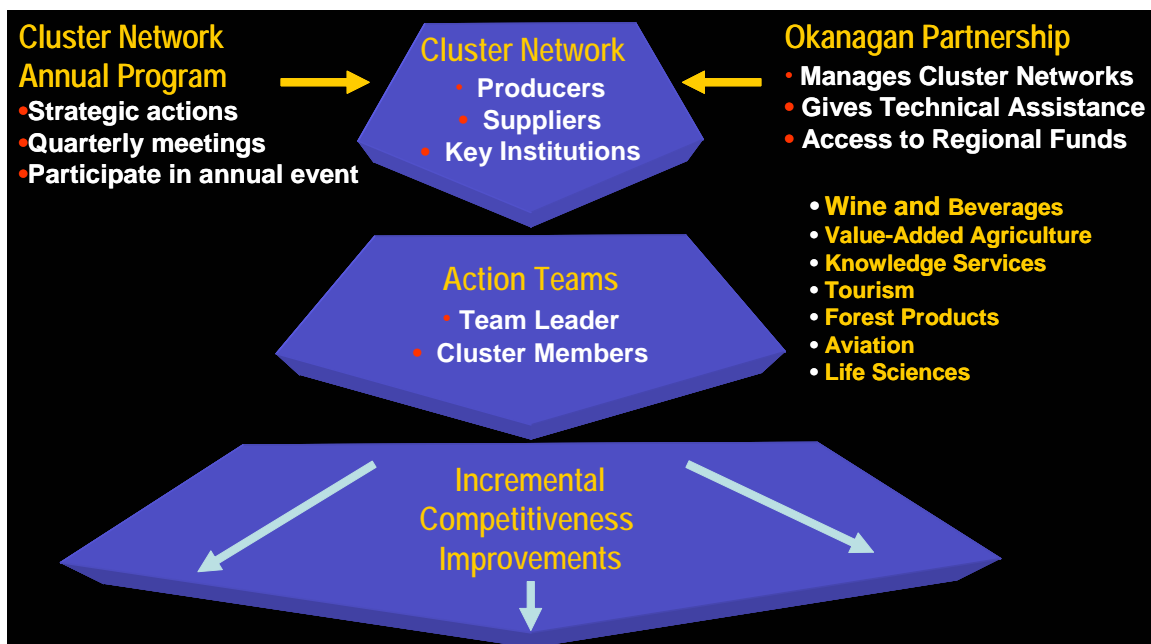
Figure 8-3.
Okanagan Partnership Function: How We Manage Flagship Initiatives

Regional Partnership

Flagship Initiatives
Supported by *Internal* Partnership Staff and *External* Associations/Alliances

Structure
- Stewards & Co-Chairs Lead
- Teams are cross-regional
- Members include delegates from key clusters
- Major longer-term ventures

Partnership Management
- Build teams
- Complete business plans
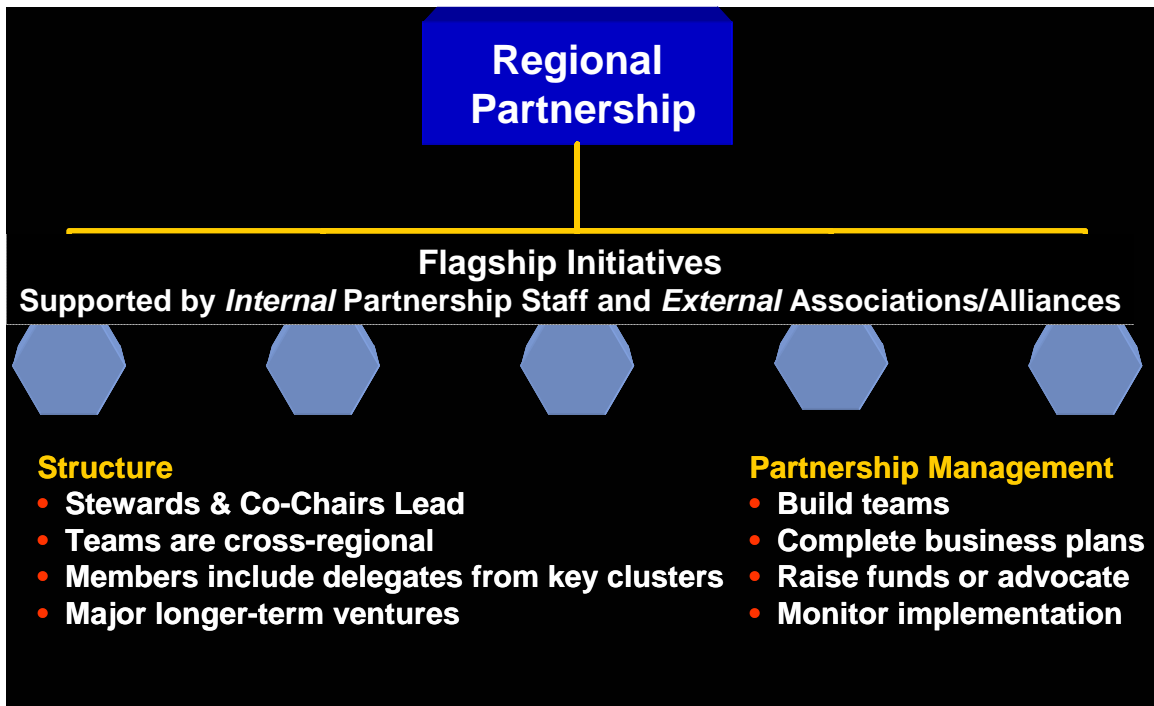- Raise funds or advocate
- Monitor implementation

Figure 8-4.
Okanagan Partnership Function: How We Fund, Monitor and Communicate

Regional Partnership

Operations Leverage Funds
- In-kind support
- Cities/Districts
- Province
- Feds
- Private donors

Internal Tracking Team
- Regional Performance
- Cluster Position
- Foundation Capacity
- Annual Progress Report

Management
- Overall Fund Raising
- Matching Grants to Cluster
- Advocacy for Flagships

Communications
- Quarterly Regional Meetings
- Annual Regional Event
- Regional/Cluster Website
- Next Generation Leadership Development