

West bests rest of Canada

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With Grand Prairie, pride of Alberta, holding on to its crown for a second year as the top entrepreneurial city in Canada, the overall theme of the latest regional rankings from the Canadian Federation of Independent Business remains the dominance of western Canada.

Grand Prairie, or Swan City as some call it (the town is along the migration route of the trumpeter swan) is a fast-growing city about 465 kilometres northwest of Edmonton.

And for the second year in a row, Lloydminster, which is home to about 24,000 people and sits on the border between the two provinces, came in second behind Grand Prairie.

Both cities are focused on the energy and agriculture industries.

“Energy production has been one of the key growth industries, and regions that are energy producers tend to have not been as affected by world financial concerns,” Ted Mallett, chief economist with the CFIB, said. “And there’s a lot of small business involvement in that area, all connected through the indirectly induced activities that take place.”

The western provinces also benefit from a strong agricultural base, which traditionally encourages independent business and entrepreneurship among farmers.

“There’s a lot more people who have grown up with an entrepreneurial or business-ownership mindset, and we know that people who grow up in a household with a small business are more likely to do the same in the future,” he said.

Laura Jones, senior vice-president, economics and western Canada with the CFIB, said property tax fairness between residents and businesses was a critical factor that favoured Saskatchewan in the rankings.

Saskatoon in the past 10 years has reduced the ratio of business property tax to residential tax to 1.75 times from 2.36, she said. This is even more impressive when compared with major cities such as Vancouver and Calgary, where the ratio is closer to five times. And by looking at the ratio, it eliminates noise about the absolute cost of tax being higher in a larger city.

“Most municipalities are going the wrong way,” she said. “I’ve sat across from mayors who say it’s because businesses have fewer votes. And for many politicians, it’s that simple. It’s insulating tax increases from residents by dumping them on businesses. That’s terrible policy.”

Jason Mancinelli, who opened Driven Automotive Repair Centre Ltd. in Regina six years ago with his business partner, Daryl Kulcsar, said the low taxes actually made it more difficult to buy their own property.

“It worked against us. A lot of people have invested in cheap property here over the years, a lot of property getting sat on by land-owning businesses,” he said.

Mr. Mancinelli figures he spent about three years looking for a property, and by the time he was ready to buy last year there were only one or two he could afford.

“We’ve also had a big surge in franchises opening in Regina, and it’s hard to compete when you have a multinational opening up against you,” he said. “A lot of them have the money that they can just step in and buy a lease. But for a local business, you need to own the property. If I don’t control the lease rate, what happens if it doubles in five years?”

This growing focus on the West is also an indicator of perhaps a sea change in the economic centre of Canada. The economies of the West are newer than the once-mighty manufacturing hubs of central Canada, which have become marginalized after the auto industry collapse during the 2008 financial crisis.

“For a long time the U.S. market was the major market for manufacturers, but demand is weakening. The western economies provide a source of demand and an industrial base that is more diversified toward Asia and areas around resource development and agriculture,” said Jayson Myers, chief executive with Canadian Manufacturers & Exporters. “We’re seeing changes in labour flows and wage structures, and it’s much more than just a cyclical change. It really is changing the nature of our industrial base and provides some tremendous opportunities in manufacturing, technology and supply.”

Of the Top 10 cities on the list, nine are either from Alberta or Saskatchewan. The twin prides of Saskatchewan, Saskatoon and Regina, placed third and fourth while Edmonton is the only one of Canada’s major cities to land on the leaderboard.

Only Rouyn-Noranda, from Quebec, made the Top 10 at tenth.

“Economic conditions have just been better in western Canada, especially in Saskatchewan. Lots of people moving there, lots of new jobs, fuelling a lot of optimism and business creation,” Ms. Jones said.

And while oil prices have fallen in the past few months, crude prices in the US\$80 to US\$90 a barrel range are still enough to fuel growth out west.

“Projects in the oil sands have been slated for some time and while the price of oil affects long-term planning, these projects are not going to be stopped,” Mr. Myers said.

Mr. Mancinelli considers his province lucky to be sitting on vast natural resources, and worries Saskatchewan will squander its advantages.

“Saskatchewan is a great place, and Regina is leading the way. I hope we don’t waste it,” he said.

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