



Economic Diversity Enhancement Plan

Prerequisite Study: Investment and Innovation Composition Study

October 2018





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Developed by Invest Cooper Consultants and MDB Insight, October 2018.



Executive Summary

Investment attraction is the process of bringing new business into a community. This *Investment and Innovation Composition Study* serves as a primer on Vegreville’s investment climate in the context of global, national, and provincial market trends and allows for an understanding of what sectors are the most optimal targets. The Study is one of three prerequisite research studies designed to inform an *Economic Diversity Enhancement Plan* for Vegreville. The Plan will serve as a roadmap for strategic planning and implementation of projects and actions designed to grow and diversify Vegreville’s economy.

What Sectors Make Sense for Vegreville?

When deciding what sectors to try and attract, it is important to understand that sectors differ in their ability to create jobs. Sectors such as agriculture, mining, oil and gas extraction, and manufacturing are able to create other employment outside of their own industries because the things they make can be used in other parts of the economy and other services are often needed to support them. Other sectors such as professional, scientific, and technical services are also important because they represent the research and intellectual components that often lead to innovation in other sectors (e.g. agriculture). These are key drivers of economic growth and are therefore broad-priority areas for investment attraction. Extensive research of economic performance, global and local trends, and other factors has resulted in the identification of the following sectors recommended for investment attraction to Vegreville:

Professional, Scientific and Technical Services	Value-Added Agriculture	Cannabis Industry	Oil and Gas Manufacturing	Oil and Gas Servicing
A strong fit with Vegreville’s Supernet broadband backbone and interconnections to sectors such as oil and gas, value-added agriculture, and cannabis on the research and development or consulting side. Proximity to Edmonton is an advantage.	A large local population, proximity to Edmonton’s consumers, access to critical infrastructure, and deep connections to regional agricultural inputs make Vegreville an ideal location for value-added agricultural products including food processing and advanced extraction.	The growth of the medicinal, (future) edible, and fibre market in the cannabis industry will be significant. Vegreville has the land, existing building space, labour force skills, and capacity to support industry growth in this space.	The resurgence of the market, easy access to major highway and rail transportation, connections to supply-chains, and affordable, serviced land make Vegreville a good location for petroleum product manufacturing.	A natural fit for the region with oil and gas extraction in the northeast and processing in the surrounding area. Competitive land prices, skilled trades people, and expansion opportunities abound.



Recommendations for Vegreville's Investment Attraction

The recommendations are outlined according to their specific sectors and conclude with additional considerations.

Professional/Technical/Scientific

1. Set up an aggressive back office support services business attraction campaign in line with dominant skills of the recently closed Federal processing facility.
2. Encourage local entrepreneurship in technical and consulting services based on knowledge of large local industries such as agriculture, oil and gas, and manufacturing.
3. Develop a strong partnership with Portage College to provide training for the new businesses in science and technology, cannabis, manufacturing, and the value-added agriculture sectors, and to identify talent pipeline requirements in highest local and regional demand.
4. Continue to expand research programming underway at InnoTech and encourage entrepreneurship.
5. Focus on small companies that carry large amounts of knowledge capital, including home-based businesses, who can help increase resident population.

Value Added Agriculture

6. Position Vegreville as the agri-food processing investment place of choice by using marketing vehicles such as social media, trade shows, and partnerships with regional economic development alliances.
7. Aggressively pursue innovative food processing companies in the global marketplace to maximize the use of the regional feed stock in Vegreville.
8. Encourage import replacement opportunities to encourage local users of agri-food products to purchase consumable goods locally, rather than from outside markets.

Cannabis Industry

9. Establish a business cluster for spin-off companies from hemp research and development.
10. Pending legalities will introduce research and development and scale-up opportunities for product developers affiliated with advanced cannabis production and product manufacturing including edible products, hemp products-fibres, and organic foods.
11. Develop a plan for cannabis-related tourism to increase the value proposition of local producers, including future edible providers.

Oil & Gas Manufacturing

12. Identify means of fast-tracking new serviced industrial land as outlined in the recent SE 17 Industrial Area Structure Plan.



Oil & Gas Servicing

13. Consider the attraction of an industrial condominium-style development to accommodate small-sized companies that are common to this sector.
14. Identify areas for potential laydown yards that would avoid encroachment on prime serviced land.

Additional Recommendations

15. Follow the confidential investment lead generation and prioritization companion research designed to assist Vegreville's economic development team in reaching the appropriate leads to start more targeted investment activities.
16. Develop a business retention program with the intent of identifying the supply chain companies that would expand into Vegreville.
17. Implement a business ambassador program that encourages local business leaders to assist in identifying industry gaps and opportunities and serve as an intermediary in connecting the Town with potential investment leads. Ambassadors also serve as local references for familiarization tours and should meet semi-regularly with Vegreville Economic Development.
18. Develop investment/data packages that are specific to the identified target sectors and ensure versions are easily available online in easy to analyze formats.
19. Develop a pitch-deck for each target industry and one broader one to be used or further customized when investor meetings are arranged.
20. Consider each of the investment readiness recommendations that were identified in the accompanying *Services and Inventory Gap Analysis Prerequisite Study*.



1. Introduction

This *Investment and Innovation Study* represents one of three inter-related reports designed to inform an Economic Diversity Enhancement Plan for the Town of Vegreville. The Plan will set a roadmap for economic development strategic planning and implementation over the next five years and beyond.

The objective of the *Investment and Innovation Study* is to evaluate and provide recommendations on the most likely and most fitting industry sectors to pursue investment attraction for the Town of Vegreville.

Investment attraction is the process of bringing new money into a community and it is typically accomplished in two different ways:

- **Import Substitution:** Attracting businesses that will increase the likelihood that local residents and businesses purchase in Vegreville and not somewhere else.
- **Export Development:** Attracting businesses that sell goods and services that are bought by people and businesses outside of Vegreville, while ensuring revenues remain within the community to pay employee salaries, local property taxes, and but other local goods and services.

Both are important drivers of wealth, and allow for other industries such as retail, personal services, health, and social services to thrive. Investment can be made by expanding businesses that are already established in the community or by attracting businesses from outside.

This Study contains three main sections beyond this introduction:

- **Economic Considerations:** An overview of global economic trends, local economic composition, and competitiveness factors.
- **Competitiveness Assessment and Value Proposition:** An exploration of why a business person would be interested in investing in Vegreville.
- **Recommendations:** The initiatives that are most likely to lead to successful investment attraction.





2. Economic Considerations

The economic considerations section presents an overview of global trends, the local socio-economic portrait, labour force and industry composition, and a situational analysis that evaluates sector competitiveness, opportunities and gaps.

2.1 Global Economic Development Trends

Numerous trends in the global and national economy stand to impact Alberta, resulting in both potential opportunities and challenges. Trends are presented at three levels; Canada, Alberta, and Vegreville.

Canada and the World

- As of October, 2018, the Canadian economy is projected to **average 2.0% for 2018, and a further 2.1% in 2019 before slowing to 1.9 in 2020¹**.
- The recent **United States-Mexico-Canada Agreement (USMCA)** has breathed relief into the North American market, opening up new opportunities for trade, while also exposing areas of confusion over differences between the new agreement and the previous North American Free Trade Agreement (NAFTA).
- Canadian exporters prepare to take advantage of the recently enacted Canada-European Union Comprehensive Economic Trade Agreement (CETA). **CETA opens up a market of over 510 million people**, accounting for \$22 trillion of global GDP².
- Carbon taxes and a perception that **Canada's tax competitiveness has been eroded** are impacting the willingness of firms to increase their capital spending.
- Continued **pipeline-related capacity challenges** have impacted the ability to take advantage of increasing world oil prices. Confidence in the outlook for oil investment remains insecure.
- Despite strong demand from the United States, **high capacity utilization in manufacturing is limiting** Canada's ability to increase exports.
- The United States' Federal Reserve interest rate stands at 2.25%, and is expected to be raised one more time before the end of 2018, with an estimated three additional hikes in 2019³. Meanwhile, Canada's interest rate has also grown throughout the year, with an increase to 1.5 in September. a recently announced hike to 1.75 in October, and a further one to four rate increases throughout 2019⁴. **Rate hikes are good for investors but may prove challenging for over-extended households.**

¹ Bank of Canada, October 24, 2018: <https://globalnews.ca/news/4585337/bank-of-canada-oct-24-interest-rate-hike-debt-delinquencies/>

² Government of Canada, September 21, 2017: https://www.canada.ca/en/global-affairs/news/2017/09/ceta_tariffs_plummettozerotodayascanada-europeanuniondealgetsund.html

³ Trading Economics, accessed October 26, 2018: <https://tradingeconomics.com/united-states/interest-rate/forecast>

⁴ Global News, October 23, 2018: <https://globalnews.ca/news/4585337/bank-of-canada-oct-24-interest-rate-hike-debt-delinquencies/>



- Canada experienced solid economic growth of 3.1% in 2017, having weathered the oil price shock of the previous two years. **The economy is on a solid footing, with an expected growth of 2.2% for 2018⁵.** The expansion has been broad-based, with all sectors of the economy contributing.
- **As of October, Canada's labour market has also been thriving, adding 222,000 jobs** year to date, with nearly all in full-time employment⁶.

Alberta

- **Alberta's population growth** continues to pick up, with the highest annual growth in three years, with an estimated 4,307,110 residents as of July 1st, 2018 and grown 1.49% since its low-point in 2017⁷.
- Between September 2017 and September 2018, **full time employment increased by 37,400 in Alberta**, and overall employment increased by 55,600⁸.
- Urban housing starts totaled 1,827 in September 2018, a year-over-year decrease of 23.7%. Canadian starts decreased by 10.9% over the same period⁹.
- Higher gasoline and electricity prices **pushed inflation to a four-year high of 3.5% as of July 2018** before pulling back to 3.1% by August. Core inflation (excluding food and energy) has also accelerated to 2.2% in August from just around 1% in January¹⁰.
- **Rising shipments of non-durable products are propelling manufacturing activity in Alberta.** Sales of petroleum and coal products have increased steadily since mid 2017, buoyed by rising prices and higher utilization rates at Alberta refineries. This, along with improvements in chemical prices, pushed shipments of non-durables goods near 2014 highs¹¹. Meanwhile, **Western Canada is currently restrained by its pipeline takeaway capacity** and Alberta's heavy crudes continue to face a larger-than-normal discount¹².
- **Alberta, Saskatchewan and Newfoundland and Labrador accounted for the majority of Canada's crude oil production.** As a result, these economies attracted 80% of the country's energy investment and almost half of total non-residential investment.
- Non-residential construction activity continues to languish in the province, largely dragged down by ongoing **weakness in commercial and industrial spending**; largely a byproduct of the previous energy shock.

⁵ OECD, May 2018: <http://www.oecd.org/eco/outlook/canada-economic-forecast-summary.htm>

⁶ Statistics Canada, October 5, 2018: <http://www.oecd.org/eco/outlook/canada-economic-forecast-summary.htm>

⁷ Government of Alberta, September 27, 2018: <https://www.alberta.ca/population-statistics.aspx>

⁸ Open Alberta, October 5, 2018, "Labour Force Statistics September 2018".

⁹ Government of Alberta, October 23, 2018: <https://economicdashboard.alberta.ca/Housingstarts>

¹⁰ Government of Alberta, September 28, 2018: <https://www.alberta.ca/economic-trends.aspx>

¹¹ Ibid.

¹² <https://business.financialpost.com/commodities/energy/canadian-crude-prices-collapse-as-alberta-glut-grows-again>



Town of Vegreville

- **Agriculture, Retail Trade and other services (other than public administration) are the main economic drivers for the Town of Vegreville.**
- The number of construction and retail businesses have been experiencing declines, but
- Commercial building permit values increased 128% from 2015 (\$3,117,189) to 2017 (\$7,114,686).
- The Town of Vegreville has eight brownfield sites that are mainly former fueling stations.
- **The legalization of cannabis holds significant potential for Vegreville growth opportunities, beyond retail alone.**
- The Town of Vegreville can create economic growth via its proximity to Edmonton, Strathcona County, City of Lloydminster and north-western oil and gas regions.
- In 2016, the federal government decided **to close its Immigration, Refugee, and Citizenship Case Processing Centre** in the Town of Vegreville. The federal facility was a major employer with 280 jobs supporting the local economy and 200 local employees losing their jobs.
- **Manufacturing experienced a significant decline (-50)** in the Town of Vegreville between 2011 and 2016 census years.
- Overall, **businesses in the Town of Vegreville are satisfied with doing businesses in Vegreville**, but are the least satisfied with property taxes, development charges, and the lack of skilled labour¹³.
- **Strong infrastructure** in the Town of Vegreville such as an airport, CNR rail and provincial highway 16 support other economic drivers or growth opportunities.
- The Town of Vegreville has a **low median household income** for the region, which can be attractive for investment.
- A **planned section of serviced industrial land (83 acres)** will provide the opportunity for new investment and jobs in the Town of Vegreville. Focusing on base industries associated with agri-food and value-added agriculture, manufacturing, and professional scientific and technical services can drive growth in other segments of the economy.
- The **Supernet-broadband** infrastructure in the Town of Vegreville provides a competitive advantage to attracting firms and home-based businesses that rely on strong and reliable broadband internet capacity.

¹³ Global News, September 2, 2018: <https://globalnews.ca/news/4423667/citizenship-case-processing-centre-vegreville-closed/>



2.2 Economic Overview

What's going on in Vegreville? The details below provide a summary of Vegreville's economic landscape based on data from Statistics Canada.

Population

Between 2001 and 2016, Vegreville's population grew a net 332 people (6.2%) reaching 5,708 residents.

Despite its growth, it lags behind the provincial growth rate of 37%.



Vegreville is also aging. It has a higher percentage of senior citizens age 65 and over (22.1%) and a lower percentage of children aged 0-14 (16.5%) than the province.

Prosperity

Median household income in 2016:

Vegreville \$69,402

Alberta \$93,835



Lower household income levels could be partially due to Vegreville having a large pensioner population. At the same time, these incomes may be positive for investment attraction due to affordable labour.

Housing costs are competitive at an average of \$274,364 compared to the province, which is \$449,790.



Education

43% of Vegreville residents have a college or university education, compared to 53% for Alberta.

Vegreville has proportionally more residents with an education in the trades (13.5% vs 10.6%) and college-level education (26.2% vs 22.0%) than the provincial average.



Major fields of study for Vegreville residents include: Architecture, Engineering, and Related Technologies (29.1%); Business, Management, and Public Administration (18.4%); and Health and Related Fields (17.5%).

Industry & Labour Force

Vegreville has an employed workforce of about 2,870 residents.

Major industries include: Health Care and Social Assistance (15.5%); Public Administration (11.8%); and Retail Trade (11.5%).

A recent closure of a Federal Government facility will result in notable declines in Public Administration.



Compared to the provincial average, Vegreville has a high percentage of businesses in Mining and Oil and Gas Extraction (4.3%); Manufacturing (2.7%); Retail Trade (13.7%); Finance and Insurance (3.7%); Administrative and Support, Waste Management and Remediation Services (5.0%); and Accommodation and Food Services (7.0%).



Quality of Life & Place Assets

Historic downtown, museum
Parks, sportsplex, hockey arena, curling rink
Campground, pool, public libraries
Events throughout the year: Pysanka Festival, Country Fair, downtown markets

Walking and recreation trails, golf course
Public & separate school systems
Portage College

Local hospital - St. Joseph's General Hospital
Access to Edmonton on four-lane highway



Retail amenities - Vegreville is a regional shopping and service hub.

2.3 Situational Analysis

A situational analysis is a tool for understanding a community’s competitiveness and where there could be potential to improve competitiveness or safeguard it from backsliding. This section includes the results of three key analytical tools:

- Location quotient analysis
- Shift-share analysis
- Canadian Business Counts overview

Location Quotient Analysis

A location quotient (LQ) is a way of quantifying how concentrated an industry, occupation, or demographic group is in a region as compared to another region or the country. It can reveal what makes a particular region “unique” in comparison to the comparator area. An LQ of 1.25 and greater suggests a high concentration of local activity in an industry and an LQ of less than 0.75 suggests a low concentration of local activity or gap area, in relation to the area being compared against. From a labour force perspective, LQs may offer insight into where local concentrations of industry-relevant skills may exist.



Figure 19 showcases the employed labour force LQs for Vegreville relative to Alberta in 2011 and 2016, where Vegreville has seen their greatest competitiveness growth in utilities; other services; and real estate and leasing. During the same time frame, Vegreville has seen their greatest competitiveness loss in arts, entertainment, and recreation; manufacturing; and education services.

In 2016, Vegreville had a high concentration of their employed labour force working in utilities; public administration; health care and social assistance; agriculture, forestry, fishing and hunting; and other services when compared to Alberta.

Figure 1: Employment Location Quotients – Concentration of Employed Labour Force by Industry Vegreville /Alberta

Industry (NAICS)	LQ 2016	Status	LQ 2011	Status	Growth/Loss
Agriculture, Forestry, Fishing, and Hunting	1.26	High	1.29	High	-0.03
Mining and Oil and Gas Extraction	0.57	Low	0.45	Low	0.12
Utilities	4.04	High	2.60	High	1.44
Construction	0.79	Average	0.80	Average	-0.01
Manufacturing	0.57	Low	0.81	Average	-0.24
Wholesale Trade	0.95	Average	0.85	Average	0.1
Retail Trade	1.07	Average	1.17	Average	-0.1
Transportation and Warehousing	0.73	Low	0.79	Average	-0.06
Information and Cultural Industries	0.98	Average	1.01	Average	-0.03
Finance and Insurance	1.05	Average	0.83	Average	0.22
Real Estate and Rental and Leasing	0.78	Average	0.54	Low	0.24
Professional, Scientific, and Technical Services	0.65	Low	0.75	Low	-0.1
Management of Companies and Enterprises	0.00	Low	0.00	Low	0
Administrative and Support, Waste Management and Remediation Services	0.97	Average	0.83	Average	0.14
Education Services	0.58	Low	0.76	Average	-0.18
Health Care and Social Assistance	1.46	High	1.51	High	-0.05
Arts, Entertainment, and Recreation	0.36	Low	0.72	Low	-0.36
Accommodation and Food Services	0.84	Average	0.88	Average	-0.04
Other Services (Except Public Administration)	1.26	High	0.85	Average	0.41
Public Administration	2.24	High	2.06	High	0.18

Source: Statistics Canada; 2016 Census Profile. Adapted by MDB Insight.



Shift Share Analysis

Shift share analysis attempts to determine how much job growth or decline can be attributed to provincial trends, industry trends, or how much is due to factors unique to the region.

The **provincial growth effect** explains how much of Vegreville's industry growth is explained by the overall growth of the province. The **industrial mix effect** explains how much of Vegreville's industry growth that is explained by the growth of the specific industry at the provincial level. The **regional competitive effect** explains how much of the change in a given industry is due to some unique competitive advantage or disadvantage that Vegreville possesses, because the growth cannot be explained by the provincial trends or the economy as a whole. The total considers all three shift-share factors. In effect, the analysis explains which factors are primarily responsible for increases or decreases in employment in a given sector between 2011 and 2016.

The top sectors that have seen increases in employment are:

- Other services (except public administration)¹⁴ (+45), which is explained increased in employment due to regional growth effect (+40), followed by provincial growth effect (+10); however, there were declines due to the industrial mix effect (-5).
- Utilities (+30), has been largely driven by local (+30) and provincial factors (+7), but has been negatively affected due to industrial factors (-7).
- Administrative and Support, Waste Management and Remediation Services (+20) was largely driven by industry factors; however, minor growth was also seen in the other two shift-share categories.
- Mining and oil and gas (+15) appears to be affected by a mix of local (+11) and provincial growth (+7), which have counteracted small declines due to industrial mix (-3).

In addition to studying areas of growth, the analysis below also highlights where declines have had the most severe impact. Key sectors experiencing strong declines include:

- Manufacturing (-50) declines have been largely the result of local competitive effect (-55) followed by minor industrial mix effect (-7), while some gains had been made due to provincial growth of the manufacturing economy.
- Retail trade (-45) declines are explained entirely by competitive effect (-79) rather than provincial or industrial impacts, which led to some growth in the sector.
- Education services (-45) has declined largely due to competitive effect results (-51) and slightly by industrial mix (-6).
- Professional, scientific and technical services (-35) is also largely the result of local factors in competitiveness effect (-41), but counteracted somewhat by provincial growth effect gains (+14).

The analysis shows that while a range of circumstances have appeared to drive employment growth in some key sectors listed above, conversely for sectors experiencing decline the key drivers appear to be local or regional under the competitive effect. It also stands to reason that because much of the source of

¹⁴ The industry "Other services (except public administration)" includes subsectors such as personal care services (i.e. hair, nail and beauty, drycleaning and laundry, funeral, pet care, advocacy and religious organizations, etc.).



decline is from the region, stronger business retention and expansion efforts catering to these sectors specifically could assist in preventing further slippage, if not reversing these trends. Indeed, in most examples of strong decline, the broader economy appears to have been driving employment in the sector, which again casts the spotlight on taking care of local businesses at risk, so they can also benefit from provincial trends.

Figure 2: Vegreville /Alberta Shift Share Analysis, 2011-2016

Industry (NAICS)	Provincial Growth Effect	Industrial Mix Effect	Competitive Effect	Total
Agriculture, Forestry, Fishing, and Hunting	9	-4	-15	-10
Mining and Oil and Gas Extraction	7	-3	11	15
Utilities	7	-7	30	30
Construction	18	27	-35	10
Manufacturing	12	-7	-55	-50
Wholesale Trade	9	-19	0	-10
Retail Trade	31	2	-79	-45
Transportation and Warehousing	10	2	-22	-10
Information and Cultural Industries	4	-8	-7	-10
Finance and Insurance	7	-6	9	10
Real Estate and Rental and Leasing	3	-1	9	10
Professional, Scientific, and Technical Services	14	-9	-41	-35
Management of Companies and Enterprises	0	0	0	0
Administrative and Support, Waste Management and Remediation Services	7	10	3	20
Education Services	13	-6	-51	-45
Health Care and Social Assistance	36	46	-72	10
Arts, Entertainment, and Recreation	3	2	-25	-20
Accommodation and Food Services	13	21	-29	5
Other Services (Except Public Administration)	10	-5	40	45
Public Administration	31	-49	-12	-30

Source: Statistics Canada; 2016 Census Profile. Adapted by MDB Insight

Business Counts

Statistics Canada's Canadian Business Counts provides a record of business establishments by industry sector and size. This data is collected from the Canadian Revenue Agency.

The Canadian Business Counts data records business counts as either "Without Employees" or "With Employees." The establishments in the "Without Employees" category include the self-employed (i.e. those who do not maintain an employee payroll, but may have a workforce consisting of contracted workers, family members or business owners). It should be noted that the Canadian Business Counts data use the Canada Revenue Agency as a primary resource in establishment counts; therefore, businesses without a business number or indicating annual sales less than \$30,000 are not included. This portion of the analysis was also used in the *Services Inventory and Gap Analysis* prerequisite study that accompanies



this Study and the Retail Gap Analysis.

As of December 2017, Vegreville had 936 business enterprises, of which 637 were businesses without employees and 299 were businesses with employees. The majority of enterprises in Vegreville are small, having between 1 to 4 employees. However, Vegreville has a few large businesses – eight enterprises employ between 50 and 99 people while four enterprises employed more than 100 employees. In terms of industry composition, the following sectors exhibit the highest proportion of business establishments with employees in Vegreville as of 2016:

- Retail Trade (41 Businesses)
- Other Services (30 Businesses)
- Professional, Scientific and Technical Services (28 Businesses)
- Construction (28 Businesses)

The figure below showcases the business counts location quotients (LQ) for Vegreville relative to Alberta in 2016. Recall that an LQ of 1.25 or greater is considered an industry leader or high, 0.75 to 1.25 is on par with the province or average, and lower than 0.75 is lagging or low. Compared to Alberta, Vegreville has a high concentration of businesses in agriculture; retail trade; and other services. Areas of notably low concentrations include professional, scientific and technical services and wholesale trade. Therefore, even though on paper, professional, scientific and technical services have a large number of businesses, compared to provincial distributions, they are none the less under-represented and there is room for growth in the sector.

Figure 3: Business Counts Location Quotients –Concentration of Businesses with Employees, 2017

Industry (NAICS)	LQ	Competitiveness
Agriculture, Forestry, Fishing, and Hunting	1.76	High
Mining and Oil and Gas Extraction	0.97	Average
Utilities	0.00	Low
Construction	0.69	Low
Manufacturing	0.83	Average
Wholesale Trade	0.60	Low
Retail Trade	1.59	High
Transportation and Warehousing	0.80	Average
Information and Cultural Industries	1.04	Average
Finance and Insurance	0.61	Low
Real Estate and Rental and Leasing	1.24	Average
Professional, Scientific, and Technical Services	0.55	Low
Management of Companies and Enterprises	0.69	Low
Administrative and Support, Waste Management and Remediation Services	0.80	Average
Education Services	0.33	Low
Health Care and Social Assistance	0.87	Average
Arts, Entertainment, and Recreation	0.64	Low
Accommodation and Food Services	1.06	Average
Other Services (Except Public Administration)	1.45	High
Public Administration	0.00	Low

Source: Statistics Canada; Canadian Business Counts December 2017. Adapted by MDB Insight.



An LQ analysis was also applied to businesses without employees to understand potential growth opportunities in assisting home-based businesses to expand or grow. Results are shown in the figure below. Three sectors stand out as having greater concentrations of businesses with employees; agriculture, retail trade and other services, which are offerings consistent with being an urban hub in a generally rural area. Notably absent are strong concentrations of construction and professional, scientific and technical service businesses, which are often most likely to be home-based operations. There are some sectors which approximate an area of competitiveness, such as real estate and rental and leasing, which given the low cost of existing residential real estate, and possibly even commercial real estate, may be a potential benefit to helping to draw new residents and main street businesses to Vegreville.

Figure 4: Business Counts Location Quotients – Businesses Without Employees, 2017

Industry (NAICS)	LQ	Competitiveness
Agriculture, forestry, fishing and hunting	1.76	High
Mining and oil and gas extraction	0.97	Average
Utilities	0.00	Low
Construction	0.69	Low
Manufacturing	0.83	Average
Wholesale trade	0.60	Low
Retail trade	1.59	High
Transportation and warehousing	0.80	Average
Information and cultural industries	1.08	Average
Finance and insurance	0.61	Low
Real estate and rental and leasing	1.24	Average
Professional, scientific and technical services	0.55	Low
Management of companies and enterprises	0.69	Low
Administrative and support, waste management and remediation services	0.80	Average
Educational services	0.33	Low
Health care and social assistance	0.87	Average
Arts, entertainment and recreation	0.64	Low
Accommodation and food services	1.06	Average
Other services (except public administration)	1.45	High
Public administration	0.00	Low

Source: Statistics Canada; Canadian Business Counts December 2017. Adapted by MDB Insight.



2.4 Summary of Findings

Several findings emerge from the situational analysis outlined above. These include the following:

- Manufacturing and professional, scientific, and technical services have both witnessed declines in local competitiveness and reductions in labour forces driven primarily by local factors, suggesting that ground can potentially be regained by diversifying sub-sectors and the interconnections of these sectors with agriculture, oil and gas, and research and development.
- Retail trade losses can potentially be regained by encouraging growth in industries with high multiplier effects, such as manufacturing, which bring revenue into the community to support retail and personal services. Expanding the geographic pull as a centre of commerce may also support retail and personal services growth.
- There are low proportions of professional, scientific, and technical services businesses in Vegreville suggesting there is room for growth in both businesses with employees and home-based businesses; particularly those affiliated with technical advisory or planning roles.
- The cannabis sector represents a new industry that intersects several traditional industries, thereby contributing to the potential to diversify the economy via agriculture, manufacturing, transportation and logistics, professional, scientific and technical services, health services, retail and tourism.
- Value-added agriculture (be it for food or other product manufacturing, processing, or adaptation) creates a stronger bond between agriculture, manufacturing, and professional, scientific and technical services, but Vegreville currently has no food or beverage processors, despite being 100 km from Edmonton and surrounded by agricultural assets. This is an untapped opportunity.
- The promotion of the oil and gas manufacturing; oil and gas servicing; professional, scientific, and technical services; value-added agriculture; and cannabis research and production will facilitate mutually reinforcing yet diverse economic stability and growth. Investment attraction should be focused on these core areas.



3. Competitiveness Assessment and Value Proposition

Competitiveness is the ability to demonstrate how different traits or characteristics contribute to a comparable advantage over other communities for a given sector. By understanding what unique competitiveness qualities Vegreville has relative to specific industries it is possible to articulate a clear value proposition, which answers the question, “why would someone be interested in investing money into this line of business in Vegreville”.

To illustrate the Town of Vegreville’s competitive value proposition and other considerations a matrix has been developed to illustrate to juxtapose a series of evaluation criteria against each sector of interest. The five sectors recommended for varying degrees of investment attraction are:

- Oil and gas manufacturing
- Oil and gas servicing
- Professional, scientific and technical services
- Value-added agriculture
- Cannabis industry

To each of these sectors the following criteria are assessed:

- Estimated long-term sector growth – The estimated long-term national and international expectations for the sector beyond the next five years.
- Complement to existing economic base – The ability of the sector in question to connect to other sectors of the local economy in a complimentary way for supply chain, servicing, or other resource needs.
- Potential to have a significant impact on the local economy – The ability to generate strong direct and indirect economic impacts by virtue of business growth.
- Current state of the sector – Economic competitiveness of the sector as it stands currently.
- Current ability to capitalize on the sector – The level of confidence with which Vegreville is would be able to act on investment attraction at this moment.
- Desired future state by 2027 – The vision for the sector in Vegreville in 10 year’s time.
- Sample Industries –Examples of business types relevant to the sector in question.
- Value proposition for the sector – The stated “selling point” that will compel investors to take notice of the opportunity in Vegreville.
- Competitive Disadvantage – A key consideration that may hinder the ability viability of the sector and which should stimulate strategic considerations going forward.



Figure 5: Industry Value Proposition Matrix

Evaluation Criteria	Professional, Scientific and Technical Services				
	Value-added Agriculture	Cannabis Industry	Oil and Gas Manufacturing	Oil and Gas Servicing	
Estimated Long Term Growth Sector	Moderate	Strong	Moderate	Moderate-Strong	Strong
Complement to existing local economic base	Strong	Moderate	Strong	Low	Strong
Potential to have a significant impact on the local economy	High	Strong	High	High	Strong
Current state of the sector	Low LQ 0.65	Moderate	Moderate	Low LQ 0.57	Low LQ 0.57
Current ability to capitalize on the sector	Moderate Leveraging InnoTech Alberta could result in significant economic spin-offs with more research in the development of hemp fibre and products and potential synergies to oil and gas and agriculture by other specialists in the sector. The town can also become a centre for back office support service outsourcing with the large supply of former federal public servants.	Strong A natural fit for Vegreville with agriculture being among the region's strongest sectors. Products such as foods and natural oils are examples. Strong mix of skilled and unskilled labour exists.	Strong High growth sector with significant investment opportunities.	Limited Though long-term potential exists, the existing base is undefined, requiring an ice-breaker.	Moderate-Strong The current base is established with room for growth and high technical skills in the area, and growth in the sector.



Evaluation Criteria	Professional, Scientific and Technical Services	Value-added Agriculture	Cannabis Industry	Oil and Gas Manufacturing	Oil and Gas Servicing
Desired future situation by 2027	Growth in back office support jobs with companies related to data or claims processing or technical assistance and a large amount of home-based technical experts have been attracted to Vegreville, contributing to research and development, consulting or planning related to complimentary sectors.	Establish or attract a minimum of three food or product manufacturers or processors that take advantage of regional agricultural inputs.	Vegreville is recognized as a leader in cannabis value chain growth and an exporter of goods and expertise in the form of consultants.	Vegreville has added two to three petroleum product manufacturers through the identification of supply chain gaps or resource needs in the regional oil and gas economy.	Adding five to eight more service companies to Vegreville specializing in serving the sector and which employ a minimum of 25 employees each.
Sample Industries	<ul style="list-style-type: none"> ▪ Back-office support services (i.e. outsourced professional services) ▪ Research and development ▪ Engineering and design firms for various sectors (agriculture, oil and gas, cannabis, etc.) ▪ Consulting 	<ul style="list-style-type: none"> ▪ Fibre production for textiles or composites (such as hemp) ▪ Food processing ▪ Oil, resin, and food biproduct processing ▪ Clean energy 	<ul style="list-style-type: none"> ▪ Growing and processing ▪ Resins and oils ▪ Research and development, including toward edibles 	<ul style="list-style-type: none"> ▪ Chemical staging ▪ Industrial molds ▪ Die-cast manufacturing ▪ Metalworking 	<ul style="list-style-type: none"> ▪ Maintenance of field equipment ▪ Specialized inspection services ▪ Site remediation



Evaluation Criteria	Professional, Scientific and Technical Services	Value-added Agriculture	Cannabis Industry	Oil and Gas Manufacturing	Oil and Gas Servicing
Value proposition for the sector	A strong fit with Vegreville's Supernet broadband backbone and interconnections to sectors such as oil and gas, value-added agriculture, and cannabis on the research and development or consulting side. Proximity to Edmonton is an advantage.	A large local population, proximity to Edmonton's consumers, access to critical infrastructure, and deep connections to regional agricultural inputs make Vegreville an ideal location for value-added agricultural products including food processing and advanced extraction.	The growth of the medicinal, recreational, (future) edible, and fibre market in the cannabis industry will be significant. Vegreville has the land, existing building space, labour force skills, and capacity to support industry growth in this space.	The resurgence of the market, easy access to major highway and rail transportation, connections to supply-chains, and affordable, serviced land make Vegreville a good location for petroleum product manufacturing.	A natural fit for the region with oil and gas extraction in the northeast and processing in the surrounding area. Competitive land prices, skilled trades people, and expansion opportunities abound.
Competitive Disadvantage	Low volume of existing businesses and no existing large back-office operation (excluding former federal processing centre)	Lack of awareness and investors in the region.	Emerging sector with no history or experience.	Formal timeline for shovel-ready land not yet articulated.	Geographically located farther away from established oil and gas industry in Edmonton region.



4. Recommendations

The recommendations outlined below emerge from consideration of the value proposition and opportunities associated with growing investment in some key sectors. At this time, they represent potential opportunities to be further evaluated and articulated in the Economic Diversity Enhancement Plan. The recommendations are outlined according to their specific sectors and conclude with additional considerations.

Professional/Technical/Scientific

1. Set up an aggressive back office support services business attraction campaign in line with dominant skills of the recently closed Federal processing facility.
2. Encourage local entrepreneurship in technical and consulting services based on knowledge of large local industries such as agriculture, oil and gas, and manufacturing.
3. Develop a strong partnership with Portage College to provide training for the new businesses in science and technology, cannabis, manufacturing, and the value-added agriculture sectors, and to identify talent pipeline requirements in highest local and regional demand.
4. Continue to expand research programming underway at InnoTech and encourage entrepreneurship.
5. Focus on small companies that carry large amounts of knowledge capital, including home-based businesses, who can help increase resident population.

Value Added Agriculture

6. Position Vegreville as the agri-food processing investment place of choice by using marketing vehicles such as social media, trade shows, and partnerships with regional economic development alliances.
7. Aggressively pursue innovative food processing companies in the global marketplace to maximize the use of the regional feed stock in Vegreville.
8. Encourage import replacement opportunities to encourage local users of agri-food products to purchase consumable goods locally, rather than from outside markets.

Cannabis Industry

9. Establish a business cluster for spin-off companies from hemp research and development.
10. Pending legalities will introduce research and development and scale-up opportunities for product developers affiliated with advanced cannabis production and product manufacturing including edible products, hemp products-fibres, and organic foods.
11. Develop a plan for cannabis-related tourism to increase the value proposition of local producers, including future edible providers.



Oil & Gas Manufacturing

12. Identify means of fast-tracking new serviced industrial land as outlined in the recent SE 17 Industrial Area Structure Plan.

Oil & Gas Servicing

13. Consider the attraction of an industrial condominium-style development to accommodate small-sized companies that are common to this sector.
14. Identify areas for potential laydown yards that would avoid encroachment on prime serviced land.

Additional Recommendations

15. Follow the confidential investment lead generation and prioritization companion research designed to assist Vegreville's economic development team in reaching the appropriate leads to start more targeted investment activities.
16. Develop a business retention program with the intent of identifying the supply chain companies that would expand into Vegreville.
17. Implement a business ambassador program that encourages local business leaders to assist in identifying industry gaps and opportunities and serve as an intermediary in connecting the Town with potential investment leads. Ambassadors also serve as local references for familiarization tours and should meet semi-regularly with Vegreville Economic Development.
18. Develop investment/data packages that are specific to the identified target sectors and ensure versions are easily available online in easy to analyze formats.
19. Develop a pitch-deck for each target industry and one broader one to be used or further customized when investor meetings are arranged.
20. Consider each of the investment readiness recommendations that were identified in the accompanying *Services and Inventory Gap Analysis Prerequisite Study*.



Appendix – Cluster Assessment

The following North American Industry Classification System (NAICS) results are presented as a general indication of the existing business composition in NAICS industries that share space with the identified target sectors. Only directly-attributed NAICS are presented for each industry. Results do not include consumer-oriented portions of the value chains, such as retailers. NAICS are presented at the 4-digit level, accompanied by the number (#) of businesses and Location Quotient (LQ) score for each industry.

Cannabis and Hemp Value Chain (Directly Connected Sectors)

NAICS	Industry	# of Businesses	LQ
1119	Other crop farming	14	1.41
1114	Greenhouse, nursery and floriculture production	1	2.98
1151	Support activities for crop production	7	3.56
3112	Grain and oilseed milling	0	0.00
3119	Other food manufacturing	0	0.00
3149	Other textile product mills	0	0.00
3254	Pharmaceutical and medicine manufacturing	0	0.00
5413	Architectural, engineering and related services	5	0.30
5414	Specialized design services	2	0.70
5416	Management, scientific and technical consulting services	17	0.58
5417	Scientific research and development services	2	2.79
5419	Other professional, scientific and technical services	3	0.31

Oil and Gas Manufacturing and Servicing

NAICS	Industry	# of Businesses	LQ
2111	Oil and gas extraction	3	0.69
2131	Support activities for mining, and oil and gas extraction	9	1.02
3241	Petroleum and coal product manufacturing	1	11.73
4861	Pipeline transportation of crude oil	0	0.00
4862	Pipeline transportation of natural gas	0	0.00
5414	Specialized design services	2	0.70
5416	Management, scientific and technical consulting services	17	0.58
5417	Scientific research and development services	2	2.79

Professional, Scientific and Technical Services Sector

NAICS	Industry	# of Businesses	LQ
5411	Legal services	6	1.31
5412	Accounting, tax preparation, bookkeeping and payroll services	10	1.16



5413	Architectural, engineering and related services	5	0.30
5414	Specialized design services	2	0.70
5415	Computer systems design and related services	1	0.10
5416	Management, scientific and technical consulting services	17	0.58
5417	Scientific research and development services	2	2.79
5418	Advertising, public relations, and related services	1	0.47
5419	Other professional, scientific and technical services	3	0.31

Agrifood Value Chain

NAICS	Industry	# of Businesses	LQ
1151	Support activities for crop production	7	3.56
1152	Support activities for animal production	3	2.51
3111	Animal food manufacturing	0	0.00
3112	Grain and oilseed milling	0	0.00
3113	Sugar and confectionery product manufacturing Fruit and vegetable preserving and specialty food	0	0.00
3114	manufacturing	0	0.00
3115	Dairy product manufacturing	0	0.00
3116	Meat product manufacturing	0	0.00
3117	Seafood product preparation and packaging	0	0.00
3118	Bakeries and tortilla manufacturing	0	0.00
3119	Other food manufacturing	0	0.00
3121	Beverage manufacturing	0	0.00
3122	Tobacco manufacturing	0	0.00