

ATLANTIC INSTITUTE FOR MARKET STUDIES
BREAKFAST WITH MICHAEL GALLIS

MAY 13, 2004
Part 1

Introduction

MR. CROWLEY: Ladies and gentlemen I'm Brian Crowley, President, of the Atlantic Institute for Market Studies. And on behalf of our chairman, David Mann, and the Board of Directors of AIMS, I would like to welcome you to this event.

You're in for a real treat today. We have with us Michael Gallis, who I am going to introduce in a moment, but before I do I thought I would just take a quick minute and tell you a little bit about the institute and the Maine and Maritimes Corporation and Maricor the sponsors for today's event.

As most of you know, the Atlantic Institute for Market Studies was created 10 years ago, in fact, we're about to celebrate our 10th anniversary. We have a big banquet coming up in November. We started the Institute because we thought that people in Atlantic because we thought that the region would benefit from some new thinking about alternatives to our traditional economic development strategies. One of the things that had become clear to me, as a result of those ten years of work on those issues of economic growth and development, is how we have become used to thinking about Atlantic Canada as a relatively underdeveloped region of Canada. And, as a result of my work, I have come to understand that, that's not right. We are one half of two relatively underdeveloped regions in North America. The other half is just on the other side of the border.

In fact, if you started to map some of the factors about economic growth, low income, out migration, the aging population, you find that it's pretty hard to distinguish between New Brunswick, Nova Scotia, and many parts of Maine, Vermont, New Hampshire and upstate New York. We began to think about what that meant in the context of things like NAFTA and increasing economic integration.

How might we work together and overcome some of these problems, especially those problems created by the border, that runs through the middle, that might actually be a disruptive factor that may help to explain some of this region's difficulties. That was the genesis of our Atlantica project. Atlantica, I think, has begun to take hold in the imagination of many people.

Last week I spoke to the Greater Moncton Chamber of Commerce about Atlantica, and I was quite excited about the number of comments I had from people who said they never thought about the world in this way and this way of thinking about where we are in Atlantic Canada has changed many of the assumptions I have about the nature

of our contributions and how we are going to develop it. What sort of relationships and alliances we can develop et cetera.

And so, its in that context that we wanted to have Michael Gallis, one of North America's the most prominent regional planners come and speak to us so that he might put this notion of regional integration in context. Not only a continental context, like I've already mentioned NAFTA, but he will outline a global context.

But before I introduce Michael, I want to mention our sponsors for today's event, which are Maine Maritimes Corporation and its Canadian subsidiary, Maricor. Maine Maritimes, formerly known as Maine Public Service, with headquarters in Presque Isle, Maine, is a publicly traded holding company with a significant interests in commitment to cross-border commerce and cooperation. That was one of the reasons we were so delighted when they were interested in participating in this event.

So let me turn now to introduce Michael Gallis. Michael is widely considered the United States, leading expert in large-scale metropolitan regional development strategy. He has pioneered a specialty in building frameworks through which public, private and institutional leaders can work effectively to create globally competitive regions. Through these frameworks, he has mobilized leaders across the country to understand and develop new ways of responding to the challenges and opportunities of states and regions in the 21st century.

Michael Gallis & Associates, a strategic planning and design firm, was formed in 1988. Since that time, the company has grown to become a multi-disciplinary firm offering a wide variety of planning, real estate and information services to a broad range of public, private and institutional clients across the country. Michael...

Michael Gallis: Halifax, global revolution and the value engine

I thank you for joining us this morning and I want to thank Brian for inviting me. I've been wanting to come to Halifax for almost 10 years and I want to give you a little background on why.

People always talk about Halifax specifically as a tourism place; a beautiful place to go in North America, wonderful town, beautiful scenery. But a little better than 10 years ago, we were doing a strategic plan for Charlotte Douglas International Airport, which is actually an FAA large air hub. We were looking at this issue of multi-modalism and how world trade was going to change the role of airports and how different modes of sea, air, road, rail were going to connect in new ways.

One of the participants, that was headquartered in Charlotte, at that time, was Sealand Maersk. And as we had brought Sealand in and talked about the trades going through Charlotte and Savannah down in the mid-Atlantic area. But they were, at the very same time, in negotiations with the Port of New York over renewing container ports. So they began a discussion about the northeast ports and, of course, Halifax's name kept

coming up. We were fascinated, why Halifax? We never thought of this big trade port, North American trade port. They explained to us how Halifax was going to play a new role in the changing world trade pattern and why it was very important. And if you remember those negotiations over the Port of New York, it came down to three cities were asked to provide final presentations - one of which was Halifax, New York and Baltimore. Now when we did work in Newark for the Port Authority when we first went up there to New York, New Jersey, we were fascinated with that because New York, if you know New Yorkers, have the biggest and best of everything so how could anybody compete with them, let alone Halifax or God forbid, Baltimore.

So they were shocked because they were so secure in their trade position that they couldn't imagine that anybody else could have a new role in the North American trade. And yet, it came out of those discussions, that Sealand was saying, Is this real, or are you kidding? Is this a joke that you want to get a better deal out of New York and you're playing a game and they said, no, it's very simple. Halifax is a day shorter from Europe to the north and we can off-load there and saves us a day in the shipping. And Baltimore is further to the south, which gives us better access down to the Mexico's trade. So each one had a very specific meaning in their mind in the new trade patterns.

Well ever after that, I've always wanted to come back to Halifax, I wanted to thank Brian for being here because I was always curious to see what is this port really all about. So to me, it is a pleasure to be with you, it's also a pleasure to be here to see what is Halifax and how is it set up in this new North American configuration.

So back when, we could certainly see the people involved in world trade had identified this location as a very key location in what was emerging as a new global pattern of trade.

When we talk about what we are going to talk about today, I want to put it in a context because it is difficult to think that we are sitting in this room and I think, as we do day-to-day lives, we all have jobs, we all have decisions we make. But we are living in the middle of the greatest revolution in human history. Historians looking back at the period 150 years ago called it the Industrial Revolution and they called it a revolution because the changes brought about by industrialization and the new technology were so great, and the changes in society were so significant that they said you couldn't describe it simply as the Industrial Age, you had to describe it as something greater than just industrial economy or as they called it the industrial revolution because it was so sweeping.

Well, today we are being changed not only by new technology but we are being changed by huge political changes in the world. These two forces, I think historians later will call it Global Revolution. This is a revolutionary period. It began in 1990 with the collapse of the Soviet Union and certainly accelerated after 9/11 and is having continuing impacts around the world, including this region.

We like to put that changes in three broad categories we'll talk about: an integrated global network; a new economic geography; and a new economy or a new economic age.

Certainly those three, we like to think of as the big categories of change. Certainly, part of the result of the new economic geography has been the rise of trading blocks. We can see the EU, which reigned for hundreds of years in Europe, suddenly is coming true.

We see new relationships in nation states and then we see the NAFTA agreements, which have restructured relationships between North American countries. And what's interesting is, at least speaking from the American side, we didn't appreciate how different the three countries are - their traditions, their history, their culture, the language they speak. So as we look at this, in some way Europeans are having less trouble with the merging of nation states as we are in North America facing new relationships we're not used to, even though we've been together for long periods of time.

So the question arises for us, how do we maximize those options or, at least, how do we meet the challenges. In our business, we begin to ask ourselves the issue of how we respond. And I was described as a planner but I don't call myself a planner because as I looked at the way we respond and the way we make changes and the way we begin to think of the future, we say, How do we respond? And we found that communities and regions... states are typically highly fragmented. You have a public sector, a private sector and institutional sector. And each sector is configured in a different way.

Public sector is about jurisdictions, they draw lines, national boundaries, states, cities, counties. And the issue of representation and taxation, we elect people and they feel, I have jurisdiction within this piece of geography. And you're over there, you govern that and I'll govern this; you don't tell me what to do and I don't tell you what to do. It's about serving the public and it's cost oriented.

Then you have the private sector, that's market driven. That's not about boundary lines; it's about market areas and sub markets. It's about consumers and disposable income. It's about supplier relationships and it runs on the profit motivation. Supply goods, survive in business, totally different motivations.

Then you get the institutional sector and their role is sometimes like government and they're sometimes like the private sector depending on the nature of the institution. And I include them because we're in a knowledge economy and it is an integral component of global competition today.

So how do these sectors get together and become empowered to make change because they are driven by different values. They're configured in different relationships. And so we began the process of saying, we need to build what we call "strategic frameworks". We need a framework for change before we make the plan.

It was brought home to us in our very first project, we began almost 20 years ago, where we were asked by a small city that had lost 13 or 14 industrial plants and over 22 percent of the people were unemployed, just 20 miles outside of Charlotte, about 55,000 people, that's every fourth person you passed in the street didn't have a job, to make a plan.

Now what was interesting about it was, they had just spent \$10-million making themselves worse off, because what they had spent it on hadn't produced any results. As a result, in fact, it turned out that what they spent the money on was tearing down and doing things that actually were things they needed to compete. So, as we looked at it, they had a plan, they had spent money, people were very depressed because the money was gone and results weren't there so we began to ask ourselves what had gone wrong before we came up with a new plan. So we asked ourselves, wait a minute, how do they fit into the metropolitan grid - into the transportation grid. What was the metropolitan market? What sub-markets were there? As we began to ask all these questions, we began to realize that they hadn't set up any of the context, any of the framework for a plan. And we said, are you aware of the resources, competitive resources, how you value them?

For instance, they had done an economic study. And in their economic study they had a ball bearing plant, tire recappers, dye mills, et cetera. Well, I said, let me just get to the bottom line, I can't read this whole report. Who's the biggest employer? They said, Well, it's not on here. I said, Why isn't it on here? They said, Well, it's not really a business. I said, What is it? They said, education. They had a university, they had a community college. I said so you're going to go to the world with this list and tell people this is what you are but you're not going to say our biggest business is education. They said, No. What kind of economic study is that? They had defined it in narrow silos not looking at how one set of resources, affects other activities and actions.

So we built a process we call, "building a strategic framework." And it involves number one, leadership issues. How do you empower leadership? Well, you have to get public, private, and institutional around the table so they can talk about the realities they all face. Through that process, they can reach consensus and understanding.

The second thing is, we said, What is the information you have? Have you studied the market? Have you studied transportation, education, environment? Have you put it together so that you really understand where you are, how you fit? Because to be empowered leaders you must have knowledge.

The third is, do we have a good communication program? Do the people out there understand what we are trying to achieve, because you have to bring them along, no matter what we want to do, proper planning is half are for it, half are against it; I don't care what the plan. It's just the nature of the way in which it's configured.

Then, four, what kind of management infrastructure do you have to support the whole effort and to carry it forward afterwards.

Jack Welch created something for General Electric that was wonderful, a little simple diagram. In his book he talks about how he became CEO and after five or six years he was talking to his chief executives, went down the corporation and nothing had changed. The guy at the top understood it, but the people down there didn't understand it.

So he created that simple diagram and on the left side was an inventory of all the resources, you know, the financial, corporate. And then he sent up a series of screens, and at the end he said, Profit. And under each screen, you either got rid of it or you reinvested in it.

So I think about the regions as being able to create a value engine, because we have to talk not only about income values but the quality of life. We have to link those two things. How do we go from a fragmented configuration into a unified configuration? How do we go from divisiveness to consensus? How can do we move those two things, because only through that can we make change? And how do we go from knowledge to analysis to evaluation to understanding opportunities present? When you understand the opportunities present then you can create a strategy. Once the strategy is clear, then you make a plan. You don't start with a plan. A plan is something at the end of the process of understanding of where all opportunities are, what we do about it, and then what plan we have to make.