

Producer Services Exports from the Vancouver Metropolitan Region

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Structural change among urban areas, impelled by a fundamental shift of capital and labour from manufacturing to service industries, can be traced back at least a quarter of a century and indeed was documented and detailed by Gottmann (1961) three full decades ago. With the rapid expansion of producer (or intermediate) services, however, the pace of restructuring among many cities within member countries of the Organization for Economic Cooperation and Development (OECD) has clearly accelerated over the past decade, with manifold implications for urban form, metropolitan structure, the urban economic base, and the division of labour within the metropolitan work force.

While there is evidence that the growth of producer services is to some extent filtering down through the urban system, these specialized intermediate services are highly concentrated within metropolitan cities in Canada and in other advanced societies (Polèse 1988). Moreover, producer services are increasingly the leading growth sector in metropolitan areas. As Daniels (1990) has observed, the "metropolitanization" of producer services in the 1980s profoundly changed both the direction and consequences of social and economic processes. Producer services are of central interest to urban planners and policy officials because of (1) the demand they generate for physical infrastructure (office space, advanced telecommunications facilities, international air services, public transport services, efficient highway networks) within metropolitan areas; (2) the impact they have on local labour markets; (3) the multiplier effect on the demand for other specialized services; and (4) the impact on the cost of locating in metropolitan areas for economic activities in general.

Another increasingly significant impact of the growth in producer services relates to the urban economic or export base. To a considerable extent, of course, producer services in a metropolitan region cater to the local economy. Indeed, many producer services firms were initially established as clusters of interactive activities within the "corporate complex" of the metropolitan central business district to serve principally head office, senior management, and commercial banking operations, and a rich and complex set of linkages can be traced among these firms within the central city (Ley and Hutton 1987). At the same time, producer services industries in a growing roster of large and medium-sized cities are exhibiting increasing export propensity. Beyers (1991:166) notes in this context that "the demand for producer services in a given region is not just intra-regional demand, but these services are also entering into inter-regional and inter-national trade to a growing extent." This growth in urban services exports is taking place within the familiar broader context of economic globalization, market integration, and deregulation, but the specific mix of influences on services exports varies according to location, position within the urban hierarchy, market orientation, and other factors.

The full range of services is generally of increasing importance within the metropolitan economic base in both relative and absolute terms, as the traditional production sector continues to contract in many cities and as the volume of services exports increases. These exports, which are highly heterogeneous, include tourism and convention activities, services associated with capital flows, information of all kinds, and specialized producer services. The quality of producer services in particular also plays a critical but indirect role in export expansion by contributing to the competitiveness and exportability of a range of goods and services. While exported services cumulatively are of considerable and growing significance, their intangibility and heterogeneity pose major measurement problems. At "the local scale the contributions of service sector exports to regional growth are exceedingly difficult to assess empirically" (Warf 1991:248). Thus, there appears to be a considerable need for an inquiry into the dimensions, patterns, causes, and consequences of urban services exports, with special emphasis on the rapidly expanding producer services.

Aimed at contributing to an enhanced understanding of the dimensions and impacts of urban services sector exports in the Canadian context, this article presents an empirical analysis of producer services exports from Vancouver. Vancouver's experience represents an appropriate and instructive case study for several reasons: the region's large and highly developed services sector; changes in the region's market and trade orientation, which influence the composition and destination of export commodities (including services); and the presence of

policies and programmes at all three levels of government designed to promote services exports. The first section of this article discusses services as exportable activities in the metropolitan region and outlines the basic configuration of restructuring in Vancouver. Empirical data derived from three major surveys and demonstrating the nature and growth of producer services exports over the past two decades follow. Later sections describe influences on Vancouver's services exports, including both endogenous and exogenous factors, and advance some public policy and planning implications.

Structural Change and the Growth of Traded Producer Services

In the late 1940s, approximately 60 percent of the Canadian labour force was in the goods-producing sector: the extractive industries (agriculture, forestry, fishing, and mining), construction, and manufacturing. Presently, this sector accounts for less than 30 percent of the work force. During the 1980s, virtually all of the increase in net employment creation was in the non-goods or services sector (Economic Council of Canada 1990). This shift of the labour force to the services sector is a familiar one in economically developed nations and has been well documented (see, for example, Coffey and Polèse 1989; Noyelle and Stanback 1984; Picot 1986).¹

Among those investigators suggesting the factors underlying this shift (Browne 1986; Davis and Hutton 1981; Economic Council of Canada 1978, 1990; Greenfield 1966; Knight 1982; McCrae 1985; Spengler 1967; Tucker 1977), it has been argued that labour productivity increases have occurred disproportionately in the goods-producing industries, thus skewing the labour force toward the services sector. Evidence of the greater income elasticity of service activities also has been advanced. Further, it has been asserted that the dramatic increase in female labour force participation rates over the past four decades is a factor, resulting in a significant transfer of services activities formerly performed within the household into the monetized portion of the economy for which official statistics are recorded. A tendency among firms to contract for specialized services formerly done in-house is yet another explanation of the shift. In addition, it has been argued that the production of goods in advanced economies has become increasingly dependent on services as inputs, reflecting in large

1. The importance of the services sector has increased to the point that a "services-led recession" has not been ruled out as the principal feature of the 1990 downturn of the U.S. economy (Pearlstein 1990).

part recent technological innovations in such areas as telecommunications.

Concomitant with this shift in the labour force has been a tendency for services activities to concentrate in metropolitan areas. This trend has been particularly evident among the producer services—those services (transportation, communications and utilities; wholesale trade; finance, insurance, and real estate; business services) consumed in large proportion by intermediate activities for further processing. Empirical evidence of this centralizing tendency has been presented for Canada (Coffey and Polèse 1987, 1988; Hutton and Ley 1991), the United States (Beyers 1988; Noyelle and Stanback 1984), the United Kingdom (Howells and Green 1986; Marshall 1985), and across developed countries (Browne 1986; Daniels 1985, 1987, 1990).

A variety of reasons has been offered to explain this centralizing tendency of services. Coffey and Polèse (1988), for example, argue that while the location of consumer services will approximate that of an economy's population pattern, producer services will locate disproportionately in the areas of population concentration. Their location model of producer services emphasizes the importance of a pool of highly skilled labour, the availability of complementary economic activities (largely office-related), the costs of providing the particular service to the market, and the role of the environment (broadly defined to include social, cultural, political, and physical elements) as an attractive force.

Complementary conclusions were reached by Wheeler (1988) in his study of the location patterns of U.S. corporate headquarters and subsidiaries. He found a strong rank correlation between population size and the number of corporations and subsidiaries. From his analysis of the 30 largest metropolitan areas, he concluded—in accordance with the earlier studies of Pred (1977) and Noyelle and Stanback (1984)—that service employment will continue to expand rapidly in major urban diversified economies and proximate population centres. The primary determinants of this spatial concentration of service activity are held to be the availability of specialized information, complementary service activity, and intermetropolitan accessibility.²

2. Those who have turned their attention to producer services and the urban form do not uniformly agree about this centralizing tendency. Telecommunications in particular is a factor that some have surmised would lead to the spatial dispersion of goods-producing activities as well as services activities (if not the demise of the city itself) by facilitating the replacement of face-to-face contact with electronic forms of communications (Abler 1970; Downs 1985; Goldmark 1972; Kellerman 1984; Kutay 1986; Lehman-Wilzig 1981; Webber 1968, 1973). More recent thought, however, appears to adhere to the view that telecommunications, while perhaps allowing for the decentralization of production facilities and the location of the "back-office" or routinized administrative functions of the corporation in outlying areas, will

Export of Canadian Producer Services

A growing body of empirical evidence supports the proposition that producer services are becoming increasingly exportable (Daniels 1990). The decline in many advanced nations of the ability of manufacturing exports to finance import demand is causing these nations to consider expanding exports through their comparative advantages in services (Daniels 1987; Marquand 1983; Petit 1986; Riddle 1986). Changes in the composition of international trade has to a large degree paralleled the shift in importance of services activities within developed nations. Trade in services, although relatively small in comparison with merchandise trade, is growing in significance.³ An estimate of Canadian international trade in producer services is shown in Table 1. In terms of both the domestic labour force and international exports, business services activity (management, legal, accounting, advertising, architectural, scientific, engineering, and computing services) has been recording the highest growth rates in recent years.

At the provincial level, Stabler and Howe (1988) used detailed provincial input-output data provided by Statistics Canada for the years 1974 and 1979 to analyze services exports for the four western provinces: Manitoba, Saskatchewan, Alberta, and British Columbia. The authors found that for the four provinces combined, services exports, which were between 22 and 44 percent of total (direct plus indirect) exports in 1974, rose to between 38 and 53 percent in 1979. In terms of absolute gain, the increase in value added generated by service exports exceeded that generated by goods exports in Manitoba and Saskatchewan and was approximately three-quarters of the increase in value added by goods for the other two provinces.

At the regional and urban levels, services have been regarded for many years as a passive economic sector oriented toward meeting local rather than external demand. The common expression of this view is found in the frequently employed economic base model, which traditionally has focused on extractive and manufacturing activities as the

contribute to the centralizing trend of the higher-order, office-based services activities. The greater the extent of geographic decentralization of production activities, it is argued, the greater the need for the centralization of key control activities (Coffey and Polèse 1989), and it is telecommunications—particularly computer networks—that provides the technology for such control (Hepworth 1986). Advances in telecommunications technology are thus likely to increase the economic attraction (and thus the demographic pull) of cities that are centres for "information-intensive" services—for example, accounting, advertising, banking, law, and management consulting (Daniels, 1987; Moss 1987).

3. World trade in services is now estimated to have reached \$770 billion (*Economist* 1991:62).

TABLE 1 Estimated Exports of Producer Services and Export-Dependent Employment: Canada, 1988

	Export Share of Total Output (%)	Export- Dependent Employment (thousands)
Transportation		
Air	5.0	3
Rail	31.9	24
Truck	21.2	24
Other transportation and storage	20.3	42
Communication	2.2	5
Electric power	11.8	10
Other utilities	0.9	1
Wholesale trade	11.8	65
Finance, insurance, and real estate	1.1	7
Business services	8.7	45
Total		228

Source: J. McRae. 1989. "An Exploratory Analysis of Canada's International Transactions in Service Commodities". Paper prepared for the Economic Council of Canada, Ottawa. Cited in Economic Council of Canada. 1990. *Good Jobs, Bad Jobs*. Ottawa: Supply and Services Canada.

principal generators of economic development, insofar as the products of these activities are exported from the region, resulting in a counter flow of external funds into the region. The greater the flow of funds into the region, the greater is the level of regional income. In contrast, services activities have been traditionally thought to constitute the principal portion of the passive sector in the model (frequently referred to as the "services" sector), expanding only in response to increases in the exports of tangible commodities.

Although this view still has its adherents, particularly among policy makers, a continually increasing body of theoretical argument and empirical evidence supports the contribution of services to regional development (Browne 1986; McCrae 1985; Swan 1985). Services are seen as playing critical roles in creating local demand; in contributing to productivity, and thus the competitiveness, of primary and secondary activities; and, in an increasing number of instances, in generating revenue through direct exports.⁴ Comprehensive and effective regional policy can no longer be formulated without an explicit accounting of the active contributions to regional development rendered by services activities (Marshall 1985).

4. In addition to these roles, the contribution to income and development by services demanded by retirees is likely to become an increasingly important factor in regional policy formulation for particular areas as the average age of the North American population continues to rise (Bender 1987; Hodge 1991).

Producer Services Exports from Vancouver: Growth Trends and Changing Market Orientation

Vancouver was established in the late nineteenth century as the western terminus of the national rail system and as Canada's premier Pacific port. It was therefore significantly engaged in the export of producer services from its inception. During the first half of the present century, Vancouver became the principal resource-processing centre for British Columbia's staple sector, and its strategic transportation role was largely consolidated.

With the generally rapid growth of the provincial economy over the past four decades, Vancouver's commercial functions expanded substantially, the city acting as head office, business service, and financial centre for British Columbia's spatially extensive resource economy. Vancouver's maturation as the province's higher-order service centre has therefore included the development of dense networks of service linkages between Vancouver and the staple-dominated hinterland, within the familiar framework of core-periphery relationships. This asymmetrical relationship has largely favoured Vancouver, but the strength of core-periphery relations in the province has promoted a large measure of covariance between Vancouver and the rest of the province in terms of the fluctuations of the business cycle characteristic of a "boom and bust" staple commodity economy.

The general dimensions of the core-periphery service linkages that developed during the first quarter century of the postwar period in British Columbia were revealed by an input-output (I-O) study of the metropolitan Vancouver economy (Davis 1976). The resulting interindustry model was constructed with data from survey returns, which accounted for 25 percent of total employment in the region. Table 2 depicts the geographical distribution of service exports from the Vancouver economy in 1971 for seven service industry categories. Several significant observations about the role of Vancouver's export services sector emerge. First, it is apparent that while a preponderance of services originating in metropolitan Vancouver (especially those catering largely to final, rather than intermediate, demand) were consumed within Vancouver, a significant volume was destined for markets in British Columbia outside the metropolitan region ("rest of the province").

According to Table 2, "business services" (a designation that corresponds roughly to the producer services designation employed in contemporary analysis) were extensively engaged in such exports. Indeed, the volumes of Vancouver's business services destined for the local (metropolitan) and hinterland economies were almost identi-

TABLE 2 Geographic Distribution of Services Exports from the Vancouver Economy, 1971 (percent)

	Vancouver	Rest of British Columbia	Rest of Canada	United States	Rest of World
Communications	58.0	29.4	12.6	0.0	0.0
Utilities	75.5	24.5	0.0	0.0	0.0
Finance, insurance, and real estate	80.1	14.4	2.6	2.0	0.9
Health and welfare	95.1	4.8	0.1	0.0	0.0
Education	87.4	3.9	8.1	0.3	0.3
Business services	44.7	44.2	7.2	1.5	2.4
Other services	73.5	9.4	12.8	3.9	0.5

Source: Adapted from H. C. Davis. 1976. "An Interindustry Study of the Metropolitan Vancouver Economy". Report No. 6. Urban Land Economics, Faculty of Commerce, University of British Columbia.

cal—44.7 and 44.2 percent, respectively. Other Vancouver services sectors catering at least in part to intermediate demand were also substantially engaged in British Columbia's hinterland economy, underlining the preeminence of Vancouver as the higher-order service centre for British Columbia.

The I-O study of the metropolitan Vancouver economy also revealed a relatively low volume of services exports to the national market, and an almost negligible level of services sales to the United States and other international markets. None of the services sectors exported more than 13 percent of its sales to Canadian markets outside British Columbia, nor more than 4 percent of its sales to the United States or to the "rest of the world". These figures emphasize the tight bonding of Vancouver at the time with local and provincial markets for sales of services.

In the decade following the I-O study of the metropolitan economy, Vancouver's producer services grew considerably as measured by the expansion of both firms and employment. The number of firms classified as offering business and professional services downtown virtually doubled—from 1,800 in 1971 to 3,500 in 1980. Employment in the business services sector within the metropolitan area quadrupled from 1961 to 1982 (Ley and Hutton 1987). Thus, services led employment growth in terms of occupational and industrial measures during the 1970s and (coupled with relatively slow growth or even decline among the manufacturing industries and occupations) consequently underpinned the restructuring of the metropolitan economy.

Recession, Recovery, and Restructuring: Expansion of Vancouver's Services Exports in the 1980s

Over the past decade, Vancouver has experienced a fundamental restructuring of its economic base, industrial structure, and labour force, as well as the pattern of its trade relations and market orientation. Surveys conducted in 1984-1985 and in 1990 depict the configuration of this comprehensive restructuring process in Vancouver and also identify the growth in services (especially producer) exports as both an agent and an outcome of this process.

The early 1980s were characterized by the severest recession in British Columbia since the 1930s. Particularly sharp commodity price shocks in the early years of the decade were followed by a long period of very low demand in the United States and other export markets for the province's staples, severely depressing the key forestry and mining sectors. While no sector or region of British Columbia was immune from the effects of this sustained downturn, the province's resource and manufacturing sectors were particularly affected, and indeed some resource-dependent regions experienced no significant recovery until well into the second half of the 1980s.

Against this backdrop of a protracted recession, a major survey of Vancouver's producer services sector was conducted in 1984-1985 (as reported in Ley and Hutton 1987). While the sample of firms in this survey ($n = 626$) was smaller than that of the 1971 I-O study of the metropolitan Vancouver economy and was confined mainly to downtown firms, the broad findings appear to suggest a significant if not fundamental change in the market orientation of Vancouver's producer services sector.

Table 3 depicts the distribution of market areas for the 626 producer services firms in the 1984-1985 sample. The firms represent 13 industry groups, as well as a "miscellaneous" category. As in the case of the findings from the 1971 metropolitan Vancouver I-O study, the local (metropolitan) market accounts for a high proportion of sales, both for the sample of all firms as a whole and for most individual producer services industry groups, and the "rest of the province" remains an important market for many.

Based on the findings of the 1971 I-O study, however, it appears that by the mid-1980s national and international markets had become significantly more important for Vancouver producer services firms. Some 17 percent of sales for the sample firms were made to markets outside British Columbia, the national market outside British Columbia accounting for 10 percent and international exports for 7 percent. The most evident associations in marketing and sales behaviour

TABLE 3 Market Area of Metropolitan Vancouver Producer Services, 1984-1985
(percent of firms in each category)

	>75% of Sales to Vancouver	>25% of Sales to Rest of British Columbia	>10% of Sales to Other Canada	>10% of Sales to Rest of World
All firms	51.4	20.4	20.9	13.3
Printing	96.9	0.0	0.0	0.0
Banking	65.6	15.6	7.8	10.9
Securities, commodities	47.4	9.1	29.5	27.3
Insurance	42.0	33.0	17.9	7.9
Real estate	38.5	23.1	26.9	30.8
Personnel	65.0	15.0	20.0	0.0
Data processing	57.6	21.2	18.2	15.2
Accounting	68.2	4.5	13.6	4.5
Advertising	69.6	6.5	15.2	4.3
Arch., planning	45.0	22.5	15.0	10.0
Geol. and engineering	26.5	38.2	44.1	32.4
Legal services	63.2	21.1	5.3	10.5
Management consultants	31.8	31.8	31.8	9.1
Misc. services	41.9	20.9	34.9	15.1

Source: D. F. Ley and T. A. Hutton. 1987. "Vancouver's Corporate Complex and Producer Services Sector: Linkages and Divergence within a Provincial Staples Economy", *Regional Studies*, 21(5):421.

for firms in the sample were with firm size and industrial group. For firm size, smaller firms, as might be anticipated, were disproportionately tied to the local and provincial market. Larger firms were more extensively involved in national and international markets, although the export threshold for the producer firms appeared to be lower than is common among manufacturing firms.

The 1984-1985 study also disclosed that among the 13 producer services industry groups, those most active in the provincial hinterland included geological and engineering consultants, insurance, and management consultants. Groups active at the national level included geological and engineering services, management consultants, securities and commodities firms, and real estate, as well as firms in the miscellaneous services category. Producer services firms with a significant international market involvement included geological and engineering consultants, real estate and securities, and commodities.

Responses from a number of firms selected for interview indicated that, in the broadest terms, motivation for export marketing included both "push" and "pull" factors. The latter included notably the opportunities in large and growing markets in the United States and the Asia Pacific, where firms that had developed to maturity serving the demands of the provincial resource economy could successfully bid for contracts. At the same time, other firms cited the limitations of the

local and provincial markets as an incentive for export interest, and, of course, the severe impact of the 1982-1985 recession, which affected both resource and supporting producer services activities and also obliged many producer services firms to seek more resilient (that is, national and international) markets.

The context for services sector growth and export development changed significantly in the period following the 1984-1985 study. The severe recession of the early and mid-1980s was followed by a sustained period of high growth, particularly in metropolitan Vancouver, where British Columbia's high-growth producer services are concentrated (Davis and Hutton 1989). At the same time, a series of public policy initiatives and regulatory changes, designed wholly or in part to enhance the export of services, were introduced. First, in 1983 the City of Vancouver approved an Economic Strategy, which identified international banking, producer services, and tourism as key propulsive sectors and included a series of supporting programmes. Second, the governments of Canada and British Columbia signed a Memorandum of Understanding in 1986, which for the first time emphasized the role of services (specifically exportable producer services) as a leading sector for Vancouver and British Columbia. Third, the governments of Canada and the United States concluded a new Free Trade Agreement in 1988, designed to remove or at least reduce barriers to bilateral trade (including trade in services) over the 1990s.

In the fall of 1990, a questionnaire survey of selected sectors of the Vancouver economy was undertaken jointly by the City of Vancouver Economic Development Office and School of Community and Regional Planning of the University of British Columbia.⁵ The survey was of several hundred firms, principally producer services and technology-intensive manufacturing. The results reported here focus on the 251 responses from producer services firms, with emphasis on market orientation, geographic destination of sales, and expected future markets.

5. Because data are not available for regional exports, a quicker and less expensive method than the survey approach for estimating such exports is the calculation of location quotients. For example, in considering services as employment generators, Davis and Hutton (1981) and Polèse and Stafford (1982) used location quotients to estimate the principal services exports of Canadian metropolitan areas in 1971. In constructing the elements of a location model specifically for producer services, Coffey and Polèse (1987) also constructed location quotients as indicators of export activity. The same technique was adopted by Keil and Mack (1986) to identify export potential for services activities in urban economies in the U.S. Midwest. The shortcomings of the location quotient approach, however—in particular its tendency to overestimate export activity—are well known (see, for example, Davis 1990).

Market Orientation

In the survey, each firm was asked to designate the percentage distribution of its sales among the business, household, and government sectors. The results, shown in Table 4, indicate what would be expected of producer services: the primary market of the activities is predominantly the business sector. Eighty-seven percent of the firms surveyed sold at least half of their output to other producers.

TABLE 4 Market Orientation of Firms Surveyed

Service Activity (SIC)	No. of Firms	Percent with Primary Market in		
		Business	Business and Government	Government
Engineering (7752)	155	75.5	15.5	9.0
Advertising (774)	50	96.0	2.0	2.0
Mgmt. consult. (7771)	38	73.7	15.8	10.5
Computer (7721)	8	87.5	12.5	—
Total	251	79.7	12.7	7.6

A principal focus of the survey was engineering services, a sector of the economy that has not received the same attention in studies of restructuring as other producer services such as finance, insurance, and real estate, legal services, advertising, accounting, and management consulting. Like the other producer services activities, however, engineering services are experiencing economic globalization and are increasingly exported.

The employment of the consulting engineer is not restricted to a particular country and increasingly their services are being offered worldwide. Consequently, metropolitan areas are continually being re-evaluated as likely sites for the extension of a firm's international network. The latter has been prompted not only by the globalization of manufacturing but through the parallel internationalization of producer services. . . .

Exchange of project data (i.e. statistics and measurement) has been facilitated by improvements in communications, notably microcomputers and telecommunication networks, which have speeded the processing and analysis of information, increased productivity, facilitated diversity and opened up new and global markets. (Rimmer 1991:68)

Geographic Distribution of Sales

Survey respondents were asked to estimate the approximate percentages of current sales to clients located in metropolitan Vancouver, Victoria, the remainder of British Columbia, the rest of Canada, the

United States, the United Kingdom/Western Europe, Asia-Pacific, and elsewhere. The responses (Table 5) indicate the extent of the export orientation of the producer services firms in the Vancouver economy. The ratio of exports to total sales ranges from 24 percent for advertising services to 84 percent for computer services.

TABLE 5 Geographical Distribution of Sales by Service Activity

Service Activity	No. of Firms	Percent of Sales in							
		Van-cou- ver CMA	Vic- toria CMA	Rest of B.C.	Res of Canada	United States	Europe	Asia	Other
Engineering	148	42.5	5.4	22.4	10.1	10.5	0.8	4.3	4.0
Advertising	49	76.3	6.6	5.2	6.0	4.0	0.3	1.0	0.7
Management consulting	35	54.1	2.5	11.8	21.3	5.6	0.8	3.6	0.2
Computer	8	16.3	1.9	25.9	16.9	19.0	5.0	15.0	0.0
Total	240								

The results of the survey offer interesting points of comparison with the 1984-1985 survey findings. The earlier survey reported that 71 percent of business by value was conducted by producer services firms within Vancouver, 12 percent with the rest of the province, 10 percent with the remainder of Canada, and only 7 percent with the international export market. In contrast, the 1990 findings in Table 5 show less of a dependence on the local market and a greater proportion of sales internationally (with the exception of advertising). But, while this difference perhaps indicates to some degree a greater orientation toward external markets, particularly those abroad, it probably can be explained in large part by the focus on engineering and management consulting firms in the 1990 survey versus the much broader selection of producer firms in the earlier study.

A second point is perhaps less dependent on the composition of the survey respondents. In a smaller stratified sample of 88 firms in the 1984-1985 study, 32 percent reported exports to the United States, followed by Europe (15 percent) and East and Southeast Asia (11 percent). This relative importance of Europe and Asia is quite distinctly reversed in the survey results shown in Table 5, which very much reflect Vancouver's continuing economic re-orientation toward the Pacific Rim countries (Hutton and Davis 1990).

The 1990 results are particularly striking when compared with the geographic distribution of exports for services activities in the metropolitan Vancouver economy two decades ago. Tables 2 and 5 provide evidence of the changing function of the metropolitan region's economy over the last 20 years. In the early 1970s, producer services

were predominantly oriented toward the facilitation and administration of natural resource activity in the provincial economy. Exports of producer services were thus overwhelmingly to the rest of the province. By 1990, a complex of interdependent corporate services was beginning to emerge, which weakened, relatively if not absolutely, the traditional tie between the Vancouver economy and that of the remainder of the province. Stronger links with the United States and the Asia-Pacific had evolved, and the direct exports of producer services to these regions have formed a critical part of these new ties.

The evolving links of producer services with the economies of the Pacific Rim are also evident in a comparison of Vancouver services exports with those of Edmonton. For a sample of 173 producer services firms in the Edmonton metropolitan area, Michalak and Fairbairn (1988) found that slightly over a third of their production was exported from the region. Of total sales, 27.2 percent was to Alberta, 5.9 percent to Canada, and only 3.2 percent for markets outside Canada. Like the Vancouver study, the Edmonton survey was restricted to the commercially oriented producer services or business services. The significantly greater proportion of exports from Vancouver services activities, in particular to foreign markets, is undoubtedly attributable to the city's status as a major Pacific port and its expanding role within the system of increasingly interdependent Pacific Rim economies (Hutton and Davis 1990).

Future Markets

Firms surveyed were asked in which of the above regions they expected to register their greatest sales increase over the next five to ten years (see Table 6). Several firms listed more than one region.

What is striking about these figures in the context of this article is the strong export expectations of each of the four sectors. This contrasts sharply with the 1984-1985 survey of 88 producer services firms in which 68 percent of the firms indicated metropolitan Vancouver as the major growth area for sales.

In the engineering sector, more firms listed the United States than Vancouver as the major growth area. The latter was listed by only one more firm than was Asia. Perhaps reflecting the incipient talks about the North America free trade area, six engineering firms indicated Mexico as the prime growth area for sales (included as "other" in Table 6), equal to the number that are looking to Europe. Overall, however, it is clear that the growing importance of the Asian market, particularly in relation to the European market, is expected to continue.

TABLE 6 Area of Expected Major Increase in Sales over the Next Five to Ten Years by Service Activity (number of firms)

Service Activity	No. of Firms	Firms with Expected Major Increase in Sales in							
		Vancouver CMA	Victoria CMA	Rest of B.C.	Rest of Canada	United States	Europe	Asia	Other
Engineering	155	33	1	30	25	39	6	32	17
Advertising	50	23	4	12	8	16	0	4	0
Management consulting	38	11	1	10	12	13	2	7	1
Computer	8	0	1	0	1	5	2	3	0
Total	251	67	7	52	46	73	10	46	18

Conclusions

The empirical results suggest implications for the role of exported services in contemporary metropolitan development and for urban planning and public policy. At the broadest level, the three studies referred to here depict a substantial expansion of producer services exports from Vancouver over the past two decades. Along with this overall growth in services exports was a relative increase in the significance of national and international export markets for Vancouver firms, underlining a shift in the city's role from a provincial higher-order services centre to that of a Pacific Rim city in a spatially extensive urban network.

During the 1980s, an acceleration of extraprovincial service exports from Vancouver was apparent, reflecting both "push" and "pull" factors. The push factors included the severe recession in British Columbia's staple sector from 1982 to 1985 and the pull factors included sustained growth in demand, particularly among the dynamic economies of the Pacific Basin. Vancouver's service exports were further stimulated by a series of public policy initiatives and adjustments to the regulatory regime governing trade in financial and producer services, incorporating measures enacted by all three levels of government (Davis and Hutton 1991). This policy effort has continued in the most recent period, an example being the designation of Vancouver as an International Maritime Centre by the federal government, with supporting legislation pending on the part of both senior levels of government.

From this analysis, at least three conclusions can be broadly drawn about the development of future metropolitan and provincial economic policy. First, explicit and continual recognition must be made of the

exportability of producer services and thus of their capabilities for growth promotion through the injection of external financial flows into the local economy. Government agencies concerned with regional development have been somewhat slow to realize the potential contribution of service activities to the economic growth process. For example, in his review of existing regional policies in the European Community, Mawson (1987: 471) observed that

services have long been the Cinderella area of regional policy. Manufacturing continues to be regarded by many as the sole wealth-creating sector of the economy in contrast to a view of intangible, ephemeral and less productive services. A concentration on manufacturing in regional policy has been supported by an export-based approach to regional economic growth whereby it is claimed that manufacturing is of strategic importance because its products are traded. . . . In contrast, services are argued to be led by and to grow naturally following an expansion in manufacturing.

Differences between the various producer services sectors in exportability and intersector linkages also must be recognized, particularly for the commercially oriented producer services (business services and finance, insurance, and real estate) versus the distributive producer services (wholesale trade and transportation, utilities, and communications). The former are generally considerably more export-oriented than the latter (see, for example, Table 2).

Second, the continued expansion of export-oriented producer services and their locational bias toward metropolitan areas has resulted in an increasing divergence of the Vancouver metropolitan area, which is characterized by an interdependent complex of corporate services, from the Victoria metropolitan area, which is dominated by government and tourist-oriented economic activities, and the remainder of the province, which depends heavily on the extractive sectors of agriculture, forestry, fishing, forestry, and mining. The implications of this growing divergence for regional growth and stability need to be fully understood if effective regional economic policy is to be developed within the province.

Third, we can expect to see increasing diversity in market destinations among Vancouver's commodity exports, including services. In addition to the Vancouver region's traditional economic ties with the United States—linkages that undoubtedly will be strengthened by the recent Canada-U.S. Free Trade Agreement, the ties of the Vancouver region with the emerging economies of the Pacific Rim must also be fully recognized in the formulation of any industrial or economic strategies for the metropolitan region. In the future, the "Asian connection" will continue to play an increasing role in shaping the nature of Vancouver social and economic development. In this context, an expansion of export-oriented services activity will be a critical component in

Vancouver's economic restructuring, a circumstance documented in other Pacific Rim cities such as Seattle (Beyers et al. 1985), Hong Kong (Taylor and Kwok 1989), and Singapore (Republic of Singapore 1986). The tendency toward increasingly diverse export markets for the Vancouver metropolitan economy will likely be strengthened somewhat in the near future by an expansion of the Canada-U.S. free trade association to include Mexico and possibly South American nations.

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