

NHA POLICIES AND PROGRAMS FOR THE SEVENTIES

VOLUME 7

Regional Development Policy



**Policy Planning Division
Central Mortgage and Housing Corporation**

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REGIONAL DEVELOPMENT POLICY

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I REGIONAL DEVELOPMENT IN THE CANADIAN CONTEXT -
THE POSSIBLE ROLE OF CMHC - THE LONG TERM VIEW

A. WHY REGIONAL DEVELOPMENT:

1. Centralizing Tendencies of Economic System.

Over the years people have benefited from the development of a sophisticated economic system but at the same time have become dependent on this system for meeting their needs. This system, however, is highly integrated with strong tendencies within it for centralization. Consequently, people living far from the active cores of this system have much more limited access to income and employment and, frequently, consumption than people at the cores of the system. In addition, over-centralization of economic activities generates high social costs through deprivation. Loss of ability to realize opportunities in outlying areas serves to dampen economic dynamism.

To keep the economic system technically viable and socially acceptable, governments assumed responsibilities for modifying the natural tendencies and compensating for socially damaging impacts of the dynamics of the system. Hence, regional development and welfare programs. In this sense, regional development action is usually directed toward spatial redistribution of economic

activities in an effort to seek a good balance between the requirements of the dynamics of the economy, the social costs of centralization, and the adverse social impacts from development and increased sophistication of the economic system.

2. Objectives of Regional Development.

The usual objective of this balance is to achieve the maximum rate of economic growth. It should be mentioned, however, that in practice, other criteria and objectives are frequently used in planning for modification of what would be the market place ordered spatial distribution of economic activities. For example, in some countries defense considerations may determine locations of strategic industries. In others, security of a long term access to raw materials, ethnic political influence, decentralization of administrative government function, just to mention a few, are the factors that guide governmental intervention.

3. Human Values in Developmental Planning.

Each country which practices regional development as a mode of reconciling social and economic dynamics, and as a way of controlling the process of economic growth, must have a well developed concept about what it would

like to become in the future and how to do it. This implies a good awareness about the scale of values prevailing in the country and the kind of socio-economic system of balances that would be appropriate and desirable in reinforcing and supporting this scale of values. In addition, effective regional development requires sophisticated tools and mechanisms to control and to assist market forces to achieve the required results. This must be done without damaging or disrupting the functionings of the economic system on which people depend for provision of the things and the services they need.

B. WHAT DO WE THINK WE ARE DOING:

1. Canada the 'Unique'.

Regional development in the Canadian political and economic context has a special and unique meaning.

First, in most countries, "regional" development means the development in areas other than the main urban centre, usually the capital. In Canada, the capital is not a dominant urban centre and all regions are equally important. Second, the assumption underlying regional development in Canada is that every Canadian is entitled to a job opportunity and adequate income within the region he calls home. Quebecois are not expected to migrate to Alberta for the sake of economic growth and regional development. In most other countries, population shifts and migration are the key elements of regional planning.

The federal government, as an agency of confederation, is expected to mount policies and programs to support the socio-economic developmental objectives of the regions and to provide a framework for reconciliation and accommodation of those objectives where they may be in conflict. In this respect, Canada is a federation of regions who feel that their developmental objectives are better served within the confederate set-up.

Physically, the boundaries of Canada encompass a wide variety of natural regions. Economically, for a

variety of reasons, Canada does not operate as a unified system but as a series of tail ends of foreign-centred systems. The British Columbia economy, for example, is a tail end of the United States and Japanese economic systems; the Prairies are linked to grain importing parts of the world; Atlantic Canada is a fringe of the United States and European systems. In the context of those Canadian realities, the Canadian style of regional development would require an approach specific to Canadian needs.

In a country like Canada, one of its main *raison d'être* is to better foster development in each of its confederated regions. The early days of confederation were marked by what seems, in retrospect, to have been outstanding achievements in this field. The developmental opportunities and mechanisms were obvious and simple. The decision-makers at that time had an outstanding advantage in that they had a clear economic framework in which to operate the framework of the British Imperial economic system.

2. Policy of Drifting.

Today we do not have a clearly identifiable reference for regional development policy, since at the national level we are simply drifting and responding to whatever outside forces happen to be pushing us. We have no determined national direction. In consequence freight rates, tariffs, statutory subsidies, and a host of other measures which were useful in the Imperial context now

represent an administrative junkyard. We have tried to patch things up with cost-shared programs, delivered under rigid nationally standardized formulae and in the process only served to make the provinces more dependent on federally controlled money for the provision of services.

3. Equalization Payments.

Equalization payments arrangement is a good example of a measure which is labelled as being designed to help to eliminate regional disparity but which has very little to do with regional development in concept and substance. Equalization payments were instituted in Canada as part of a package deal which centered in the federal government the major responsibility for tax collection. MacGregor Dawson on page 35 of his book Democratic Government in Canada (1963 edition) sets out the rationale which was behind the federal-provincial final arrangements during and following World War II.

"The war left three firm imprints in Dominion-Provincial finance which have materially affected subsequent policy:

- 1) the desire of the Dominion to retain many of the exclusive financial powers which it had exercised during the war and which seemed increasingly necessary in view of the burden of public debt, the high costs of reconstruction, the need of avoiding conflicting federal and provincial policies, etc.

- 2) the apparent feasibility of paying large Dominion subsidies to the provinces in exchange for the provincial relinquishment of their major taxes;
- 3) the conviction that national fiscal policies alone were competent to cope with emergency conditions on a large scale, and that the economic life of the nation could be moulded to an appreciable degree by vigorous financial measures."

Since that time equalization payments, which were instituted in the 1957 agreement as part of the shift from tax-rental to tax-sharing, have become institutionalized as part of the revenue base of the so-called have-not provinces.

Equalization payments is an ingenious legal-fiscal device which in the last analysis compensates only for the federal regional spending and taxing inequities which within the centralized state would be automatically eliminated. Consequently, equalization payments have not been designed nor have any direct impact on regional development.

4. Rearview Mirror.

The present approach to regional development is based largely on a perception of the federal function that was valid when we were a part of the British economic system. We provided public works, occasional subsidies and welfare in a casual yet sensitive manner to balance the effects of changes in that system. With our disengagement, the regional difficulties loomed large and we stepped up our public works, subsidies and welfare.

The increased scale brought with it rigid administrative criteria to control expenditures and to ensure that they were made on a standardized and uniform basis across the country.

Even when exceptions are made, as in the case of areas designated for regional development, the same philosophy is applied within the boundaries of the areas and the same rigid criteria are used to identify the boundaries. This perception that the function of the federal government in Confederation is to provide public works, subsidies and welfare was only valid in context in the past. Now, at its best, this perception is unhelpful and frequently harmful.

The net result of this approach is that programs meet the bureaucratic administrative standards of controls but have limited relevance in terms of stated regional development objectives. Regions that are socially and economically dynamic are in a better position to benefit from standardized federal programs because they have the mechanisms which permit them to use the federal funds. For example, the manpower training programs in real terms benefit more the Toronto area than Eastern Quebec or Newfoundland. Equally, CMHC programs are much more effective in Ontario and Alberta than in Nova Scotia or New Brunswick.

C. WHAT ARE WE DOING:

1. Concepts and Misconceptions.

In general, our regional development concepts and approaches, as reflected by current policies, represent a strange assortment of adaptations and misconceptions. The concept that the objective of regional development is the elimination of regional disparities as measured by levels of income and job opportunities does not make sense. An income of \$8,000 in Toronto means much less in terms of actual benefits and range of benefits than four thousand dollars income in a Nova Scotia fishing village. Job opportunities cannot be the same in all regions neither in type of jobs nor the number. Also, by definition, social and economic development must mean different rates and a different nature of growth in different regions.

The federal government, however, accepts and practices the concept that, for practical purposes, its operations and relations have to be standardized and that its main usefulness is to solve problems - a problem solving machine. The function of the federal government is therefore seen to be to search out problems, classify problems, match the problems with solutions or programs, and apply the programs. There appears to be no room for exploitation of opportunities; for challenge; for achievement;

for variety; for life; for excitement; and for failure or success. Defining the world in terms of problems and dealing with them in a mechanistic manner, has prevented the federal government from tapping vast resources of intelligence and energy, and taking advantage of opportunities.

Unlike other countries, Canada does not have a federal economic plan nor an identifiable economic policy which would provide a framework for the regional development programs. In the absence of this essential framework, federal regional development programs are reduced to an attempt to induce regional economic growth by provision of financial incentives and public works programs.

2. Realities and Programs.

The impact of these programs on economic growth in its proper sense has been negligible because the availability of investment capital or infrastructure is not the limiting factor of economic growth in those areas. Moreover the impact that the incentives and infrastructure programs could have is frequently offset by other federal government policies which do not recognize, in their application, specific regional and local needs. For example, Halifax suffers a shortage of housing but CMHC programs could not be adapted to alleviate the housing shortage in the key metropolitan area of the Maritimes.

Also, Halifax has an opportunity to become a major contained port on the Atlantic seaboard but NHB policies do not permit the exploitation of this opportunity.

Regional development, and economic development in general, encompass a wide range of activities which cut across the jurisdictional boundaries of governmental departments and cannot be undertaken by mounting a rigid administratively defined program isolated from local and regional realities. Construction of roads and schools does not increase the competitive ability of the local firms nor do industrial incentives increase management competence although it may temporarily compensate for inefficiency. Incentives may attract an outside organization to establish a factory but such a factory rarely links with the local industry, and after the incentives are consumed, the firm either asks for further assistance or moves out. In general, imported factories have very little impact on improving local entrepreneurial capability.

Because of the nature of federal policies, and because provincial and municipal governments are forced to define economic development in terms of infrastructure and incentives, although it is common knowledge that those programs in reality are ineffective.

Present CMHC policies and budgeting practices, reflecting these approaches and perspectives of government, provide no support for regional development and in fact reinforce the centralizing trends. The policies and budget preparation procedures cannot reflect local needs.

The budget is prepared according to administrative criteria. The main element is continuity and precedent as affected by the financial guidelines laid down by the Department of Finance and by output accounting -- statistically measurable targets of number of starts, miles of pipe, acres of land, and amount of money spent. In this context, expenditures in regions are determined by CMHC. For example, proposed capital allocations for 1972 are up by 8.2% for Ontario and down 5.9% in the Atlantic region based on the capacity to take up funds.

D. THE NEW PERCEPTION OF CMHC FUNCTION

I. Budget Time Thoughts

In practice the money and the concerns can be divided into three categories; first, that portion of money that is used to maintain an ongoing activity which cannot be changed at a short notice without creating all kinds of problems and disruptions -- the locked-in program money; second, the portion of money which can be changed and manipulated and which can be used to bring about long-term changes in the locked-in program portion of the budget, the manipulative money; third, the portion of money that is used to precipitate change and to respond promptly to change, experiment and -- generally, be-with-it money. In other words, the budget generally consists of the administrators' money, the management money, and the policy-makers' money.

Administrators' money accounts for the bulk of the budget. Spending of this money is governed by administrative criteria that have been established and refined over the years. Because of its size, the administrative portion of the budget carries much weight and so do the people who administer it. The objective of the administration generally is that there would be no changes in regulations and that programs would lend themselves easily to administrative procedures.

The proportion of the budget that can be considered the management money varies widely and its variations reflect to some extent whether management is close to administration or policy functions. Shifts, manipulations, and adjustments to programs reflect on the size of the manipulative budget and also on the degree to which the management is participating in the policy formulation.

The policy-makers' money, and the manner in which it is used shows how the organization is responding to changes in its operational universe and whether management precipitates those changes consciously and with a design, and generally to what degree the management is an active agent in shaping the future. Frequently, money allocated as policy-makers' money becomes administrators' money when the organization abdicates the policy-making function.

In general, administrators would like the budget to be simple to administer, managers would like it to be big to give them the stature, and policy-makers would like it to be flexible and to be the key money for change.

CMHC, because of its legal reporting status, developed a specific budgetary line of communications with the federal government. CMHC administrators have only limited contacts with the federal administrators, they service clients and are organizationally inbred; managers,

for budgetary purposes, communicate with the department of finance "administrators", and CMHC "policy-makers" with the federal managers.

In consequence, CMHC budgets are designed primarily to meet the department of finance "administrators" criteria and to be acceptable in terms of the required flexibility by the finance managers. There has been no way by which CMHC policy-makers could relate and, become part of the federal government policy-making system. This may explain to some extent why the CMHC policy making has been by crisis technique. This also may explain why CMHC has been totally insensitive to the regional development needs and policies.

2. Policy Impacts that Matter.

CMHC and government policies affecting housing are equally in contradiction to expressed regional development policies. Availability of housing in an attractive environment at reasonable prices is one of the crucial elements in the dynamics of regional growth. Policies concerned with the provision of housing play a key role in industrial and urban development -- especially in the slow growing regions.

CMHC financial regulatory policies have had a profound impact on industries which concern themselves directly and indirectly with the provision of housing. During the fifties and early sixties, the availability

of mortgage money was manipulated as an anticyclical economic stimulus device and prevented builders from investing in organizational overhead and caused building material producers to abstain from development of managerial and technological capabilities. Profits from operations were applied to land speculations, where returns were much higher and risks much lower, rather than to improving house production efficiency. Builders simply could not afford to maintain large technical support organizations during the periods of shortage of mortgage money. This encouraged extensive land speculation and resulted in less efficient house-building systems.

Moreover, builders operating in some economically dynamic regions were in a position to compensate for the fluctuations in the availability of mortgage money and to develop a network of supporting services which improved their productive capacity. However, builders in smaller cities, and in less economically dynamic areas, did not progress beyond the craftsman stage of operations, with limited output capabilities, and a fractionalized and inefficient system of supporting services. This phenomenon at least partly accounts for the fact that a house built in Ottawa costs about twenty percent less than an identical house in Halifax.

These policies magnified regional disparity and contributed to economic stagnation of the slowly developing regions. This is of particular importance because, in slow-growing regions, economic development invariably results in a shift of population from rural to urban areas. For this and other reasons, it is obvious that housing is crucial in the process of regional development.

It should perhaps be pointed out, in defence of the Corporation, that, in attempting to relate to regional development objectives, it simply conformed to the established concepts of federal functions and operating style. CMHC related to needs as they have been defined by the institutions, and with a considerable degree of efficiency, molded programs to meet the administrative criteria.

3. One of the Crowd.

The criticism which could be leveled at CMHC is that it failed in its responsibility to serve the needs of people and communities. Instead, it served other objectives, such as governmental monetary policies, the requirements of financial institutions, and to a considerable degree some of the interests of the housing industry. It failed to supply leadership to municipal and provincial governments because it has been in no position to recognize and support the developmental

opportunities peculiar to different areas of the country.

CMHC followed the traditional pragmatic concepts of subsidies, welfare and public works in the areas of concern as determined and defined by the market-place institutions. The Corporation could not have any real impact on the evolution of the city or on the philosophy or mode of operation of the housing sector because it apparently felt it was not in a position to question why the economic system could not provide houses at costs low enough to be within the reach of the average wage-earner, or why municipal governments could not provide services, and why the "urban process" was producing unsatisfactory results.

CMHC responded to situations as they were formulated from time to time by the market-place institutions. It should be noted that CMHC has not been an exception. On the contrary, other governmental departments and agencies in both Canada and the United States operated in the same manner.

E. CAN CMHC PROVIDE WHAT PEOPLE NEED:

1. What CMHC Would Have To Do.

CMHC is much closer, in substantive terms, to people and their needs than any governmental department. For this reason CMHC could provide the federal government with a spearhead for shifting its perception of its function in confederation. There would be two aspects in this shift. In the first stage, CMHC would bring its existing programs more in line with the socio-economic realities across the country. Then it might assume new functions and responsibilities which to date have not been an explicit field of concern of the Corporation or, for that matter, the federal government.

This would require the Corporation to develop a new perception of its functions and make some adjustments in its modes of operation. Instead of using the "war-time" production target control techniques employed by the war-time production departments, CMHC would have to be guided by the understanding of the socio-economic process in general, and in particular, by a good perception of the regional variations of that process. This means that CMHC would have to establish what is the nature of the need for the CMHC intervention in any particular location, what are the origins of those needs; what are the characteristics of those needs, how these needs relate to the direction and character of development, and finally how these needs can be met to reinforce and strengthen the

desirable aspects of the local socio-economic dynamics and to eliminate some of the undesirable effects.

In this context, the managerial and policy functions would become crucial as would become the Corporation responsibility for these functions. Solutions to problems such as high cost of housing in any particular area would not be as simple as administrative allocation of additional funds for low income housing, land assembly, and mortgage subsidies, but CMHC would have to search why the cost of housing is high and try to deal with causes in a way that would be compatible with the regional development objectives. For instance, under certain conditions, no imports in the area of prefabricated houses would be acceptable.

CMHC would no longer have to respond to the situation in a mechanistic way but would be taking the initiative and the responsibility. It would gain and develop full understanding why it is doing certain things and why not others. The characteristics of the CMHC operational universe would not be taken as given but there would be an attempt to change and modify some of its dynamics according to the concepts and perceptions of CMHC policies. Furthermore, budgetary and programmatic controls and criteria would have to shift from the now predominantly administrative criteria to policy criteria, from being the almost total responsibility of the head office to sharing responsibility with regional offices,

and from being the concerns of the managerial levels at the Department of Finance to dealing with the broad policy issues of the government.

In this sense regionalization of the policies and operations of CMHC is not a simple issue nor for that matter is the development of policy-making capability within the organization. This cannot be accomplished by just an amendment to legislation or by correcting a budget. There is no magic budgetary formulae nor legislative fiat that could resolve this kind of issue; the need obviously is for a reappraisal of the perceptions and then the administrative and budgetary problems will become of secondary importance.

2. Decision Cannot be Postponed.

It appears that the decision cannot be postponed if government will continue in its commitment to regional development. CMHC housing activities by region indicate that only 35% of housing starts in 1970 in the Atlantic region were covered in one way or another by a CMHC program while in other regions the corresponding percentage is 64%. During the same year the total CMHC expenditures on low income housing in the Atlantic region represented only 7.7% of the total in the country. This means that CMHC spent considerably less per capita in the Atlantic region than in the rest of the country. When compared with the actual expenditures on housing in the same area by DREE,

the DREE programs hardly compensated for the deficiency of the CMHC spending in the Atlantic region. If the regional development and elimination of regional disparities policies are to be taken seriously, then CMHC has to adjust its programs to meet the needs of the slow growing regions. A simple statement saying that the Atlantic region does not have the capacity to take up program money would not suffice.

3. How to Find What People Need.

To align the present functions closer to the regional reality, the Corporation would have to gain better understanding of its own decision-making process, and the process of change and evolution in the region. Each region, and each city within a region, has specific needs. Immediate problems require solutions now. The longer term needs have to be identified, measured, and examined and alternative ways of meeting them devised. For this purpose, the Corporation must monitor the key dynamics of change. This requires a capability to identify the relevant data, to gather and analyze these data, and to apply the resulting knowledge and information in the Corporation decision-making process. Data required for regional development action should be assembled and analyzed on a different geographical and functional basis. This calls for a highly flexible and adaptable monitoring and analysis system.

Such a system would contribute to improvement of the present operations of the Corporation and would add a degree of flexibility and relevance that is required to make the operations of the Corporation more effective in terms of regional development objectives. The management, however, would have to learn how to use the system, and would have to undergo a painful process of change from a decision-making mode based on administrative criteria to one based on information. New skills would have to be acquired and new patterns of responsibility and authority would have to be acquired and new patterns of responsibility and authority would emerge; this would likely be disruptive and create resistance. However, once the nature of the change in the mode of operation became known and familiar, the transition would be exciting and stimulating.

F. TOWARDS RESPONSIVE ACTION:

1. Who Begins.

As the matters stand now, regionalization and responsiveness to local needs and flexibility depend to some extent on a change in the federal government's perception of its function in confederation. Essentially this would mean relating federal policies to man in his social and economic environment instead of a centralizing, administratively controlled, uniform approach across the country which disregards local and regional realities. This shift in the perception and policy approach should be gradual. For this reason, the shift can begin either on the basis on an explicit pronouncement concerning certain areas of governmental involvement, followed by amendment to selected pieces of legislation, or by gradual shifts in the way programs are implemented. For operational effectiveness, a gradual operation shifts would be more expedient.

2. Changes We Are Afraid Of.

Regionalization would require extensive reorganization of the corporate structure. New skills would have to be acquired by management, new perspectives of its function would have to be formulated, a different pattern and basis for responsibilities and authority established, and new relations with clients marked out.

Furthermore, present programs and policies would have to be reviewed so that new programs could be formulated and old ones amended to fit the new approach. Continuation in the present function would mean that the information system's capability and utility would have to be brought to bear on the head office administrative decision-making process. A program of information and analysis would have to be set up to meet the management-defined needs and priorities. This would probably consist of analysis and evaluation of the existing programs with the objective of improving the budgetary controls and capability for forecasting and assessing some aspects of the clients' operations.

3. New Ball Game.

The working relations with other federal government departments and agencies, and with other levels of government and institutions, would have to conform with the changed functions of the Corporation. Regionalization would mean that CMHC would have to assume a progressively greater leadership role and strengthen its partnership by sharing information, technical services, and whenever required, participation in the decision-making process. Continuation of the present modes of operation would require greater coordination, in terms of both programs and jurisdictions, to eliminate friction and confusion.

Relations with DREE, under a regionalized CMHC approach, would require meshing with DREE programs and establishment of guidelines for DREE infrastructure programs, designation of growth centres and industrial incentive areas. CMHC would provide, by virtue of its grasp of regional evolutionary processes and its working relations with other levels of government, industrial sectors, and citizen groups, the necessary framework within which the DREE subsidies and public works programs could be used to have a more effective impact on the process of regional development.

In general, expenditures controlled directly and indirectly by CMHC are several times larger than the DREE programmatic fund allocations. In reality, CMHC programs have a much greater and broader impact on regional development than those of DREE. For this, and other reasons, CMHC would be in a better position to assume a larger degree of leadership in the federal government's regional development efforts. Furthermore, CMHC, being a Crown Corporation, has much more freedom and flexibility to deal with diverse situations, opportunities and problems. It would be premature at this point to elaborate in greater detail the specific mechanisms for cooperation with DREE. As mentioned earlier, should there be a shift in policies and mode of operation of CMHC, then the Corporation would aim at improving coordination of programs and projects and avoiding duplication and overlap.

Municipal and provincial governments, under the regional approach, would become important CMHC partners. The evolution of this partnership would be based first on establishment of working relations in the areas of the data and information gathering process of CMHC and the provision of data that those governments may require and find useful. Gradually, by serving the decision-making, administrative and planning processes at the municipal and provincial levels, CMHC would stimulate, and commence to participate in those processes. If necessary, CMHC could help financially the improvement of those processes. Eventually, on one hand, by strengthening the planning capability of these two levels of government and, on the other hand, by revitalizing the constructive community interests in their physical and socio-economic environment, the local planning process would become firmly anchored locally and at the regional level. Again it should be emphasized that these working relations cannot be established by an administrative decree but have to be gradually built on understanding and the formulation, reconciliation and accommodation of local, regional and national objectives, and methods of operation.

4. Client Relations

Communities, and individuals in communities, would play a vital role in regionalization of policies

and programs. Neighbourhoods and communities with common interests and concerns would be the main clients and constituency of the new regional approach. Therefore, modifications and adjustments to programs as well as the formulation of new programs should aim at rebuilding and strengthening communities across the country. Special attention would be required in cases of ethnic communities where long-term exposure to an administratively controlled federal presence has crippled capacity for response and cooperation.

The Corporation's relations with business, under a regional approach, would have to be guided by better knowledge and understanding of the forces and dynamics of the marketplace system. The objectives would be to provide a framework oriented to social values and a developmental perspective which would enable business sectors to plan further ahead and exploit better the new technological capabilities. Financial and technical assistance might be required to develop some badly needed realignment in operations, especially in the housing sector, and to obtain the required efficiencies in operation and output. Programs would have to be oriented to the upgrading of the industrial and business systems and re-orientation of their capabilities to serve the individual in the community context.

5. The Challenge

In real terms, the federal government has not fulfilled its commitment to regional development.

The explanation has been that time is required to try new approaches and policies. Time is running out and the welfare-subsidy-public works approach is becoming firmly institutionalized. CMHC is in a position to provide the necessary services to federal leadership and the Corporation should consider this opportunity.

II SOME POLICY IMPLICATIONS FOR HOUSING IN REGIONAL
DEVELOPMENT - A SHORT TERM APPROACH

A. THE PROBLEM:

There are substantial, unsatisfied housing demands in Canada. The satisfaction of these demands have wide social and economic implications. From the standpoint of regional development, they represent the possibility for substantial industrial activity and local employment.

One of the basic objectives of regional development is the creation of new employment opportunities. The stimulation of new construction and the improvement of old construction has important and immediate implications for development, some of which are:

- (1) New employment is created locally throughout the range of the building trades and sales industry;
- (2) Depending on the nature of the solution to the basic problem, it may free disposable incomes for other purposes giving further local economic stimulation;
- (3) Because many building materials, plumbing materials, electrical goods, etc. come from central Canada, these industries are also stimulated even though far removed from the regional development activity.

A policy aimed at the resolution of regional housing problems becomes an element of federal economic development policy (see also Appendix 1).

The housing problem is spatially dispersed across the nation, and within the regions. Even though there are certain areas of concentration, the right kind of housing policy can create metropolitan impacts, small town impacts, and rural impacts - both socially and economically. Such a policy must by definition enable the spatial dispersion of the necessary funds to reach the individuals concerned. While being socially relevant, it is at the same time the very essence of regional development.

B. THE MAGNITUDE OF THE PROBLEM:

The need for public assistance in providing housing, whether or not in association with regional development, is not new and has been documented both by continuing reviews and special studies:

- 1967 - Economic Council of Canada estimated that one million Canadians were poorly housed.
- 1968 - Castonguay - Nepveu Commission in Quebec estimated that one-third of the houses in Quebec endangered the physical and mental health of the inhabitants.

- 1968 - Task Force on Housing and Urban Development estimated that of the 5.5 million housing units in the country, 0.5 million were substandard.
- 1970 - Minister of Housing and Urban Development. "In housing we think in terms of housing starts. It is simple to claim that, given continued higher levels of over-all production, the filtering down process will cure our housing ills. This is just not so. Here in Toronto it is virtually impossible for a family with an income of less than \$9,000 a year to obtain shelter at a price it can afford within that income."
- 1971 - Report of the Senate Committee on Poverty. "... when government planners tamper with the interest rate level in order to stabilize the Canadian economy, the economy is stabilized at the expense of the housing supply. Policy which deals with symptoms rather than causes permits the underlying forces to continue to generate problems."
- 1971 - Task Force on Low Income Housing. "Which groups are badly housed? On the basis of our evidence, we designate as prime subjects for consideration in policy the following:

- 0.6 million rural residents;
- 0.6 million elderly;
- 0.5 million single individuals;
- 0.2 million residents of the Atlantic provinces;
- 0.2 million single parent families;
- 0.2 million large families having four or more children;
- 0.3 million social welfare recipients;
- 0.1 million native people; and
- 0.5 million working poor.

After eliminating double counting, we find that these nine groups constitute a total of 1.9 million people, or 35% of all households."

In order to move in a meaningful way to deal with total housing problems, in whatever context it is done, a highly sophisticated and sensitive social and economic data system is required. The system must be built from the individual and his community through to the national level. A fundamental requirement is for a system which can relate accomplishment to need. The Corporation's position is unique in this regard since there is no department of government charged with the basic responsibility for housing and for suggesting new housing policy. By nature of administering "an Act to promote the construction of new homes, the repair and modernization of existing houses and the improvement

of housing and living conditions", the Corporation must assume certain responsibilities in suggesting changes in policy direction.

It is interesting to note that these conclusions on housing needs in Canada are all derived from independent special studies. These studies represent the best available indication of the nature and magnitude of the needs, i.e. the total "market". The inescapable conclusion about the data base is that there is no present means of continuously monitoring housing needs at the national level (see also Appendix 2). For example, it was not possible during the preparation of this paper to obtain the necessary data to make inter-provincial and intra-provincial comparisons of annual budget expenditures on an area basis to assess regional development implications.

These are some of the dimensions of the housing problem. Effective new long term policies which maximize regional economic opportunities at the same time as they resolve the housing problem will not be articulated overnight. The process will take time. What is lacking and what is required is a flexible short term instrument which can be effective in six months and which will serve as a bridging mechanism between the short and long term.

C. THE EMPLOYMENT POTENTIAL:

The potential for housing as a regional development tool can be illustrated using home improvement needs in the Atlantic region as an example. This example is highly simplified and is only intended to show relative orders of magnitude.

The housing status of 460,300 Atlantic households in 1967 is shown in Table I. The salient features for this analysis are:

52% of the units pre-date 1940

13% lack water

21% lack a toilet

41% lack a furnace.

This represents the rough magnitude of the home improvement market in the Atlantic area.

Table II lists the type and costs of improvements carried out under approved Home Improvement Loans in 1971. A cost by type of improvement can be obtained by dividing estimated cost of improvement by the number of improvements. This makes it possible to estimate improvement costs on a unit basis:

(1)	Structural alterations and repairs	\$2,280
(2)	Interior repair and decorations	1,741
(3)	Water and toilet (plumbing, etc.)	722
(4)	Heating and air conditioning (furnace)	1,017

In order to arrive at an estimated total cost of making these improvements, a number of assumptions have to be made because of the lack of readily available data concerning:

- the condition of the homes
- the "livability" of the homes
- the number of households who are prepared to make the necessary improvements - if they could afford to do so.

These assumptions are:

1. Only houses built prior to 1940 require structural and interior repairs.
2. No additional units are added to existing structures.
3. Water and toilets are grouped together under the H.I.L. category of "plumbing and sewage disposal", using the 13% level only.
4. No electrical, fencing, driveways, sidewalks, landscaping, demolition or moving expenditures are made.
5. That only 50% of houses in question receive the necessary repairs and alterations.
6. That 80% of rehabilitation expenditures are for labour and 20% for materials.
7. That \$8,000 per year is a reasonable wage estimate for craftsmen doing this work.

The following are the procedure and results
of the calculations:

(a)	Structural alterations and repairs (460,300 x 0.52 x \$2,280)	\$ 545,731,680
(b)	Interior repair and decorations (460,300 x 0.52 x \$1,741)	417,676,220
(c)	Water and toilet (plumbing etc.) (460,300 x 0.13 x \$722)	43,203,758
(d)	Heating and air conditioning (furnace)	191,931,291
	TOTAL	<u>\$1,198,542,949</u>

Assuming 50% of the necessary work is
done, the estimated cost would be \$ 599,271,475

Employment generation

$$\frac{599,271,475 \times 0.80 \text{ (labour input est.)}}{\$8,000 \text{ (annual wage est.)}}$$

59,927 man years of employment.

This represents direct employment only.

D. THE POLICIES:

The federal government is committed to policies of increasing employment, reducing regional disparity, improving urban environment and improving housing. The policy roles of the agencies involved in achieving these broad policy objectives are not clear. The Corporation is inescapably involved in regional development and inescapably involved in the social aspects of housing policy by the nature of its statutory mandate. The extent to which it may have made initiatives to fulfill either of these policy objectives

TABLE 1

THE HOUSING STATUS OF ATLANTIC HOUSEHOLDS - 1967

	<u>Households No. ('000)</u>	<u>%</u>	<u>Age: Pre-1940 %</u>	<u>Lacking Water %</u>	<u>Lacking Toilet %</u>	<u>Lacking Furnace %</u>	<u>Shelter as % of Income</u>
<u>All Households:</u>							
1st Quintile (\$3,000)	121.5	26	67	27	42	66	NA
Bottom Two Quintiles (\$4,000)	176.4	38	65	23	37	60	NA
4th Quintile (\$8,000)	92.7	20	40	2	5	16	NA
AVERAGE	460.3	100	52	13	21	41	16

Extracted from Report by Task Force on Low Income Housing, Volume IV, Part 3,
Economic, 1971.

Source: DBE, unpub. Household Facilities Survey, 1967, Series E, F, H. These
data are confidential until their publication by DBS.

Table II

Home Improvement Loans Approved (1)

January - July 1971

Type of Improvement	No. of Improvements	Estimated Cost of Improvement	
		(\$000)	%
Structural Alterations and Repairs	2,664	6,075	54.2
Fallout Shelter	-	-	-
Additional Units	144	725	6.4
Interior Repairs and Decoration	1,808	3,147	28.1
Demolition or Moving of Buildings	10	8	0.1
Heating and Air Conditioning	363	369	3.3
Electrical Supply	339	164	1.5
Plumbing and Sewage Disposal	575	415	3.7
Fences, Drives, Sidewalks, Landscaping	292	223	2.0
Elevator Equipment	-	-	-
Not specified	20	80	0.7
TOTAL		6,125	11,206 100.0

(1) Includes Home Extension Loans. Data are on a gross basis.

Source: CMHC, internal statistics.

is also not clear.

To examine the policy implications for housing as it relates to regional development, it is necessary to examine the basic ingredients of the delivery system. The system will be concerned primarily with a flow of federal funds into regional planning, infrastructure, housing and housing rehabilitation. The implications for the agency responsible are:

- (1) A role in federal-provincial-municipal relations;
- (2) A national administrative capacity to deal with housing and related problems;
- (3) A financial role in the mortgage market;
- (4) A role in regional economic and social development policy;
- (5) A role in national economic and social development policy.

In the absence of strong initiatives from either the Minister or the Corporation for what appears to be vacant area of housing policy, (housing and regional development), it is not unreasonable to conclude that policy areas (1), (2), (4), and (5) would be assigned to the Department of Regional Economic Expansion by default. This would leave the Corporation with a financial role and an urban development role related to certain major centers falling outside the

need for special regional inputs.

If it has been or is determined that the Department of Regional Economic Expansion is the logical instrument to carry forward the housing aspects of regional development policy, then the control of this element will lie with DREE. The Corporation will be required to act as agent, as the experts in housing and to make whatever shifts are necessary to accommodate new programs, but only in the position of agent. Existing programs in DREE based on the growth center approach have already drawn the Corporation into a supportive role. This role will no doubt increase in both size and complexity. The Corporation under these circumstances will find it increasingly difficult to retain policy control over that portion of its own budget which must be allocated to regional development projects. As one sphere of influence grows, another must diminish.

If the government undertakes through DREE a major portion of the resolution of the social aspects of housing, it would suggest that the Corporation's function through time would become a residual one supplying financial assistance for building and related activities in a relatively small number of major metropolitan areas and assisting DREE to carry out its responsibilities.

The size, influence and stature of the Corporation would be realigned in relation to this role.

The most recent realignment in this connection is the Department of Environment. The jurisdictional area is largely provincial. As problems became more acute, public pressures mounted for a readily discernable federal role. The role was already being played by elements of a number of departments with coordination exercised at various levels. The diffusion of authority to act and the variety of priority levels existing in different agencies required a consolidation of the most important policy elements under one minister. The basic statutory tools for action - the Canada Water Act - the Fisheries Act, etc. are unchanged but the capacity of interdepartmental coordinating machinery could not deliver in relation to public pressure.

Housing, like environment, is equally complicated because:

- (1) Politically it affects every voter;
- (2) Economically it has a substantial employment generating capacity;
- (3) Socially it affects health, schooling, attainment horizons;
- (4) Constitutionally it is a cooperative area.

It is reasonable to expect that a combination of increasing public pressure, expressed political concerns and commitments regarding housing and the employment it generates on the one hand, coupled with the inability of present arrangements to cope with the situation could result in a realignment of resources. The Corporation has the statutory authority and the historical association.

E. THE DECISIONS:

If it is agreed by the Minister, and this is the only immediate major decision required, that housing can be an important instrument in providing employment, overcoming regional disparities and improving housing conditions, then a short term program can be prepared in consultation with the provinces. Such a program would be very flexible and designed to complement provincial programs. It would be outside of existing assistance and could most likely be carried out under Section 29(1)(g) of the CMHC Act. The taking of this decision is the first step.

The relationship of housing to employment, of housing to low income families, of housing to rural families, the costs and the arguments have all been developed. What has not been developed is a firm decision by the Minister or the Corporation on how far the process is to be carried beyond the existing policy framework in order to carry forward the social

aspects of the "improvement of housing conditions" or the economic and regional implications inherent in providing new avenues of assistance. It is not immediately apparent how such a decision once arrived at can be translated into acceptable action without full and complete discussion with the provinces.

The first step is a decision to use housing as a regional development tool. This will in time require some further clarification of roles as between the Corporation and DREE. Either the Corporation assumes the major responsibility integrating its programs with DREE or it plays a supporting role. If the Corporation wishes to assume the main thrust, then a series of meetings should be held with the provinces for the purpose of gaining background for a short term general agreement on special programs (see Appendix 3 for discussion framework). These meetings would determine provincial views on housing as a regional development tool, permit an assessment of the priorities which the provinces attach to housing, to the various areas within the province, and the relative importance of the rural-urban problems. A number of the provincial-municipal problems will also become apparent as will the financial and other constraints - which must be provided for in some way if the program is to proceed.

These meetings should lead to the preparation of a series of federal-provincial agreements in which federal and provincial objectives can be accommodated. There will be common areas of interest in all provinces around which the substance of an agreement can be formulated and there will be differences based on the realities as they exist in the different provinces. Such a process will, however, give the provinces an opportunity, of which they have few, of helping to frame the instrument designed for their assistance.

F. THE PROCESS:

The first step in the process is the conduct of a series of meetings with the provinces to discuss the ways in which the provision of housing and related activities can be used to reinforce provincial policies aimed at regional and area development.

These discussions would be exploratory only and would be held at the provincial cabinet secretariat level. It would be a meeting on housing in the context of development so that through the provincial cabinet secretariats the views of all departments affected could be reflected.

The meetings would be informal working meetings rather than policy confrontations or constitutional position-taking meetings. A serious attempt would be

made to get at the provincial system of policy objectives and priorities and the geographical distribution of their impact and the cost implications of any new federal assistance or a reorientation of existing assistance.

The provinces are interested in employment, local impact, the social aspects of housing, urban development, environmental protection and resource utilization so that sufficient communality of interest is likely to emerge to permit a series of federal-provincial agreements which could serve to complement and reinforce provincial initiatives. The results of these federal-provincial working meetings can be analyzed relatively quickly to reveal:

- how existing programs can be more effectively used
- how existing programs can be reoriented
- what new program areas are necessary
- what are the cost implications
- what can be accommodated under the existing legislation.

A draft general agreement with the provinces built around the areas of common interest but flexible enough to accommodate the various provinces policy intentions would be prepared. This would be accompanied by a memorandum to cabinet outlining the nature of the new programs and their cost implications for

agreement in principle.

The draft agreement would be discussed again with the provinces and some amendments would result.

The agreement would be submitted to cabinet for final approval in amended form.

The program would be implemented.

In addition to any regional development information, these meetings will likely reveal information, some of which may already be well known, such as:

- (1) certain provinces may desire financial assistance only;
- (2) certain provinces may not wish to operate in areas of high political sensitivity;
- (3) certain provinces may be in greater need of technical assistance than financial assistance at this point.

The most recent example of provincial feeling in an area requiring joint federal and provincial action is contained in a statement prepared by the provincial ministers of agriculture and delivered to the federal minister in November, 1971. It indicated that agriculture is an area of split jurisdiction which can only function properly in an atmosphere of complete federal-provincial cooperation. This is a provincial initiative to which all provinces subscribed. The

ministers also appear to agree that coordination is not a substitute for action. These ministers also have a voice in the determination of housing policy. Their somewhat unusual but workable views were no doubt also cleared with the various provincial cabinets so that reference to the statement has a definite place in discussing the place of housing in regional development.

The provinces are encouraging the discussion of mutual problems and the various federal cabinet ministers have also referred to the need for complete discussion of joint interests.

G. THE PRODUCT:

The product will be federal-provincial agreements based on the communality of problems which emerge from the discussions in the provincial capitals and more important, which will result in immediate action.

It is difficult to contemplate the substance of the discussions but they should contemplate every approach which is legally permissible. Conceptually, this could range all the way from assisting in the purchase of large mobile homes and the servicing of mobile home parks to assisting with municipal bonding rates so that municipalities can take advantage of other programs under the N.H.A.

If the problem lended itself to conventional solutions, it would be self correcting. The studies mentioned earlier indicate that this is not the case. It seems necessary therefore to broaden the scope of existing programs.

H. CONCLUSIONS:

1. There is a role for the Corporation to play in utilizing housing policy as a mechanism for regional development.
2. There are obvious housing needs which are not being met through the existing system.
3. To utilize a regional development approach in the process of meeting housing needs requires only the decision and the will to proceed in this direction.
4. The Corporation has the necessary legislative mandate to resolve housing needs, and the proper utilization of their capacity to do so can create substantial income and employment impacts among individuals and communities which may have been largely by-passed by existing programs.
5. The Corporation can move quickly and effectively in a regional development approach through new federal-provincial arrangements and agreements that are oriented to problem resolution.

6. If the new direction is to be effective in meeting housing needs, the first phase will be one of crises management.
7. The Corporation will have to rely heavily on provincial and municipal data that are socially and economically relevant, until it develops a new information system.
8. From a regional development point of view, many CMHC programs reinforce regional disparity.

I. RECOMMENDATIONS FOR IMMEDIATE ACTION:

1. That the Corporation recommend to the Minister a role for housing policy in the context of regional development.
2. That a decision be made to discuss with the provinces their development programs and the role of housing and related activities in these programs.
3. That flexible federal-provincial agreements be prepared under Section 29 of the CMHC Act designed to complement and supplement the provinces programs and be submitted to the Cabinet for approval.
4. That the information base utilized for policy making be realigned on a small area basis to include social, economic and demographic data relating performance to the changing dimensions of the problem (see Appendix 4).

APPENDICES

1. FACTORS TO CONSIDER IN EXPANDING POLICY ROLE
2. SPECIAL RESEARCH NEEDS
3. FRAMEWORK FOR FEDERAL-PROVINCIAL DISCUSSIONS
4. THE EES BASE DATA SYSTEM

APPENDIX 1

FACTORS TO CONSIDER IN EXPANDING POLICY ROLE

It is apparent that any policy expansion aimed at the resolution of housing problems in the context of regional development becomes an element of federal economic development policy. The policy should be formulated against the following basic factors:

- (a) The federal government objectives in development and those of the provincial government are not necessarily the same.
- (b) The problem exists in different forms in different regions of Canada and in different areas of the provinces.
- (c) Municipal governments have objectives which may not necessarily be in harmony with those of either of the senior governments. However, they generally control the zoning systems, the local building standards and the issuance of building permits in which a large number of relatively small undertakings must take place.
- (d) Housing cannot be resolved in isolation because it is related to the entire social and economic spectrum. Induced change through federal government intervention will have an effect on both costs and revenues at the provincial

provincial and municipal level. It is this long-term cost-revenue balance which is a key factor in attitudes to federal policy at the provincial and municipal level.

- (e) Seasonal employment is a feature of many Canadian economic activities. The individuals affected in many cases also possess a set of basic skills in building and renovation which may enable them to carry on home improvements or participate in local building activity.
- (f) The regional building industry and the supporting supply industry in certain areas are not as efficient as it could be. Research will be necessary to form the basis of a cost reduction program. It could well mean in addition the establishment of new or improved building materials production or improved warehousing for volume purchases in the region to meet regional needs.

APPENDIX 2

SPECIAL RESEARCH NEEDS

When housing is utilized as a regional development tool, there should be a corresponding shift in the direction and nature of research needs. The change is a fundamental one. The new research context is one of problem and program orientation, dealing with economic and social interrelationships of housing and regional development. This context is framed by a number of points:

- objectives, problems and available funds at the individual, family, municipal, provincial and federal levels;
- the need to provide more adequate housing for a large segment of the population;
- the need to create new employment;
- the need to maximize local income and development impacts;
- the need to recognize and reinforce multiplier effects locally and regionally;
- the social and economic benefits of this approach.

In setting out the research approach and framework, several key assumptions must be made:

- the research must be viewed as a means to identify real problems and point out workable solutions;
- the research requires a systems orientation which

which can relate problems of the individual to the social, economic and physical environment;

- the research data base as such does not exist in any one place, various elements can be drawn from federal, provincial, municipal and other sources;
- the provinces and municipalities are likely to have data that are more "socially sensitive" than federal sources;
- various data sources are not likely to be in the same form or comparable, therefore, the research and analytical tools selected should reflect the inherently descriptive nature of the data.

The final selection of areas for research must be based on problem priorities, which may vary from region to region. Some of the problem areas are:

- the housing-regional development relationships.
- information and data systems that are socially as well as economically relevant;
- local income and employment impacts and multipliers;
- the nature of the regional (provincial) building industries;
- what happened to Part IV of NHA i.e. who is now financing house improvements and at what rates;
- technological innovations based on local or regional product/price relationships;
- building codes and by-laws as they encourage or inhibit the provision of adequate housing;

- the administrative processes affecting the timing and cost of converting raw land to housing lots - from the point of view of the individual, and small builders;
- effective delivery systems to ensure that money and programs are focussed on the elimination of housing problems.

APPENDIX 3

THE FRAMEWORK FOR FEDERAL-PROVINCIAL DISCUSSION

The basic elements of the framework are:

- (a) The federal government is convinced that housing is an important economic development tool because it provides local impacts through local employment and the purchases of materials and services locally.
- (b) Maximum use of this approach can be made by complementing areas of highest provincial priority.
- (c) Within the context of what may be legally permissible by federal law, provincial law and municipal law, to assist in any and all types of housing endeavours including shell housing, prefabricated housing, moveable housing, renovations, additions, and related infrastructure - in other words the whole range of housing and shelter requirements - on terms to be negotiated with the province.
- (d) That although several provincial departments or agencies may be involved in program administration one department should assume the role of dealing with the Corporation.

- (e) A high degree of flexibility will be adopted in policy approaches to the problem on the part of the Corporation.

The further development of a framework for discussions should make full use of the knowledge residing in the Corporation's regional and branch offices. The flow of official provincial documents, public announcements, press releases, legislation etc. all give a basic structure of provincial policies with which all regional officials of government are normally expected to be familiar.

Briefing meetings for those meetings with provincial officials with Corporation field staff should result in the rapid build up of sufficient background knowledge to properly interpret the substance of the informal federal-provincial meetings.

The meetings with the provinces will likely follow a pattern:

1. A discussion of provincial development objectives, priorities, geographical distribution of areas of concern, employment, income etc. Provincial views on urban problems, housing for the poor, elderly, rural housing and home improvements will be put forward along with action which is now being taken and what are viewed as limitations.
2. A list of crises situations will likely be advanced which require immediate action and which are now at various stages of planning.

3. A series of situations will be unfolded which must be resolved within the next 18 months.

These too will be at various stages of planning.

Every effort should be made, in the context of probable long term federal direction, and in the context of provincial need, to accommodate these real needs. The short term problems should be dealt with in such a way that they form a pattern leading to meaningful long term improvement.

In the light of present housing needs and present economic conditions, the short term policy is essentially one of crises management.

APPENDIX 4

THE EDUCATION AND ECONOMIC SYSTEMS, INC. BASE DATA SYSTEM

1. Development of the Base Data System

The base data system will rely upon data initially prepared by Statistics Canada. However, CMHC will be obliged to restructure this information in a manner required by the system and which is unique to the Corporation and particularly fitted for its programs and budgetary process. Other sources of information can be integrated as required. This accumulation of time oriented data, commencing with census 1961, 1966 and soon 1971, will serve as a basis for making projections relating to specific and identifiable questions to at least 1980. This would provide the Corporation with a higher capability for longer term planning with greatly improved reliability.

The current first phase of the development of the base data system would need to be developed much further in order that the level of capability described could be reached. However, in time the base data system could attain a satisfactory level at which time the system would have significance for other Federal departments, particularly those which more closely interfaced with Corporation programs.

It is anticipated that on completion and acceptance of the first phase by the Corporation that probably two or three additional development phases would be required. It would be preferable and highly desirable that this work would involve in meaningful terms various divisions, echelons and resources of the Corporation including regions and local offices. Not only would this be an opportunity for training and development but also contribute toward a more useful and relevant system. Also, the regions and local offices would continue to contribute more effectively by way of updating and evaluating the system in terms of the Corporation's objectives, goals, programs and housing decisions in a coordinated manner.

2. Base Data System Developed by Education and Economic Systems Inc.

The system is an analytical tool which relates as specifically as possible to the tasks, objectives and programs of CMHC. The development of this information system is a continuing activity and not a special study, be it for comparison or aggregation. The process is a disciplined activity with an opportunity for measurement relating to performance evaluation, capital and operation budget development.

The Education and Economic Systems, Inc. data base system has a high capability for building and developing information for various geographical areas

from the very small (tracts) and continuing to the regional or national level.

3. The Urban Cluster Concept

The Canadian Urban Cluster system represents an initial effort to classify cities and regions on a different basis than the geopolitical system employed by Statistics Canada. The classification system is projection-oriented because of an urban land grouping that will stimulate dialogue on the essential questions of future trends in urban land utilization, demographic composition and economic structure. The Urban Cluster system provides a base of key indicators in Canada's urbanization process. Therefore, analysis and consultations change in style from passivity or blatant negotiations to examination of preferred options.

4. Probable Extensions of the Base Data System

The system would enable the Corporation to measure the impacts of programs and its policies on housing requirements and population distribution by the use of computer models. This, of course, does not preclude the need for judgments and management skills of a high order.

Phase one of the system developed primarily encompasses demographic data and housing characteristics, and will on completion allow the development of

rudimentary models for in-house use. Phase two will endeavour to broaden our horizons considerably with the inclusion of other data such as income, employment, unemployment, as well as other economic and social data.

This should provide inputs for more sophisticated models encompassing most of CMHC's programs which could be expanded to relate to other federal programs if the need arises. The implementation of further phases would provide an extremely broad data base enabling the development of models relating to the aspects of the urban system.

The Base Data Planning System by itself does not automatically provide a program performance measurement and evaluation capability. Computer models utilizing the base data system's projection and manipulation capability will enable this function to be performed.

5. Intergovernmental and Interdepartmental Consultation

The Minister and the Corporation can utilize the base data system as information can be prepared in a form whereby they can work more meaningfully with provinces and other Federal departments.

6. Schedule and Future Costs

The first phase of development provides an immediate capability for update and projection by

geographic areas as defined by Statistics Canada, as well as the Montreal Urban Cluster based on 1961 and 1966 census tapes. In addition, the theory and software development to this point is sufficient to provide a workable system within one year.

Work could therefore commence immediately on defining all other urban clusters and the inclusion of CMHC data into the system files. Furthermore, as soon as 1971 census tapes are available, they can be incorporated into the file system immediately.

The estimated costs to the Corporation for the Education and Economic Systems, Inc. contribution is in the order of \$200,000. Education and Economic Systems, Inc. will be ready and available to present their first phase report and demonstration work early in January, 1972; this presentation being part of their contractual obligation to the Corporation.