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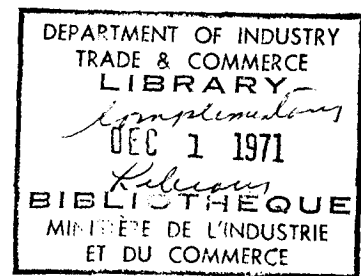
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A STRATEGY FOR THE ECONOMIC DEVELOPMENT
OF THE ATLANTIC REGION, 1971 - 1981

ATLANTIC
DEVELOPMENT
COUNCIL





**A STRATEGY FOR THE ECONOMIC DEVELOPMENT
OF THE ATLANTIC REGION, 1971-1981**

ATLANTIC DEVELOPMENT COUNCIL

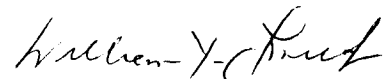
The Honourable Jean Marchand, P.C., M.P.,
Minister of Regional Economic Expansion,
Ottawa, Ontario.

Dear Mr. Marchand:

I have the honour of submitting to you on behalf of the Atlantic Development Council, our proposals for a strategy for the economic development of the Atlantic region.

The Council presents this strategy in the hope that it will contribute to accelerated economic development in the Atlantic region in the 1970's.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "William Y. Smith".

William Y. Smith,

Chairman.

Fredericton, January 22, 1971.

Atlantic Development Council Members 1969-1970

William Y. Smith, Chairman	Fredericton, N.B.
Dr. C. R. Barrett	St. John's, Nfld.
John B. Foote	Grand Bank, Nfld.
F. C. Hudson	Bedford, N.S.
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Paul LePage	Bathurst, N.B.
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Staff

Catherine Simcock, Secretary to the Council
David Barrows, Consultant

Foreword

The Government Organization Act, 1969, provides for an Atlantic Development Council of not more than eleven members to be appointed by the Governor in Council.

The function of the Council as indicated in section 31 of the Act is as follows:

“It is the function of the Council to advise the Minister, in respect of the Atlantic region, on matters to which the duties, powers and functions of the Minister extend and, in particular, to give consideration to, and make reports and recommendations to the Minister on,

(a) plans, programs and proposals for fostering the economic expansion and social adjustment of the Atlantic region;

(b) the feasibility of particular programs and projects and the contribution those programs and projects will make to the economic expansion and social adjustment of the Atlantic region; and

(c) such other matters, relating to the duties and functions of the Minister under this Part in respect of the Atlantic region, as the Minister may refer to the Council for its consideration.”

The Chairman of the Council was appointed effective April 1, 1969; the other members of the Council were appointed effective November 1, 1969.

The federal government has undertaken a major program to reduce regional disparity in Canada. This program is being carried out with the co-operation of the provinces.

The Council considers it vital that the program in the Atlantic region be carried out in accordance with a comprehensive overall strategy which establishes objectives and targets and indicates the major policies, approaches and programs through which they can be achieved.

The Council offers this strategy in the hope that it will assist policy formulation by the federal government, the governments of the four Atlantic Provinces, municipal governments and the private sector.

This strategy represents the views of the Council. It is based upon examination of many studies and reviews which have been sponsored by various bodies over a period of time, and upon discussion with many persons and groups in both the public and private sector.

In the interest of presenting this document at an early date, the Council did not undertake any extensive program of new research or studies. On a number of subjects on which only broad preliminary views and suggestions are put forth in this document, the Council will be undertaking further study with the intent of more detailed suggestions and recommendations.

A number of people have contributed their ideas and knowledge in the formation of this document and the Council wishes to express its thanks and appreciation to them. The Council, however, assumes complete responsibility for the views expressed in this document.

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**I Essentials of a Strategy for the
Economic Development of the
Atlantic Region**

CHAPTER 1

Introduction

The economy of the Atlantic Provinces is a system upon which the livelihood of the two million people of the region basically depends. The Atlantic Development Council believes that the system requires significant structural changes during the 1970's, so that it may better serve the needs of the people of the region. A stronger regional economy must also strengthen the national economy, not least in leading ultimately to a reduction in the large federal transfer payments that are now required to keep the region viable. The required structural change is, essentially, a substantial increase in the number employed in the manufacturing sector.

Changes in any system may be accomplished more effectively and more rapidly if the system is considered in its entirety and if goals are articulated, rather than remaining vague and unarticulated. The purpose of this strategy is to consider the economic system of the region from an overall point of view, to translate goals into specific targets for the 1970's, and to recommend the methods by which these targets might be attained.

No one can foretell the future. It is possible, however, to delineate targets, provided that the targets are understood for what they are. The nature of targets has been well stated as follows:

"The purpose of target-setting is not to make a prediction of what will take place; nor is it to make projections on the basis of limited assumptions of attainment of one or two specific objectives. Its purpose is rather to influence the future course of development. A target indicates a direction for action. Its precise quantitative dimension is far less important than its function of indicating the direction of activity for achievement of specific goals."¹

The key target in this strategy is an increase in total manufacturing employment in the Atlantic Prov-

inces of 50,000 by 1981. The Council realizes that this will be a difficult and challenging task.

The general environment for the growth of the manufacturing sector should be more favourable in the 1970's than it was in the 1960's. Moreover, federal policies to promote the growth of manufacturing in the region have been greatly improved by the establishment of the Department of Regional Economic Expansion and the introduction of the Regional Development Incentives Act.

The Atlantic Development Council believes that the 1970's must be a great decade of development for the Atlantic Provinces—a time when the governments and peoples of our four provinces, with the assistance of greatly improved federal policies, make a vigorous and sustained endeavour to expand and improve the region's economic base.

The distinguished American economist, Albert O. Hirschman, has observed that "... countries fail to take advantage of their development potential because ... they find it difficult to take the decisions needed for development in the required number and at the required speed".¹ The same can be true of regions.

This strategy represents the Council's views as to the challenges and opportunities that lie ahead and the ways in which they might be met. Its purpose is to assist in promoting effective decision-making in the public and private sectors during the 1970's.

The Council has developed its strategy on the premise that the ultimate objective is self-sustaining growth for the region, and not a system which relies on the continuing infusion of transfer and support-type payments.

Because the Atlantic region has failed to achieve a satisfactory rate of economic growth and

¹ Frederick Harbison and Charles A. Myers, *Education, Manpower, and Economic Growth*, McGraw-Hill, 1964, p. 204.

¹ Albert O. Hirschman, *The Strategy of Economic Development*, Yale University Press, 1961, p. 25.

development in recent times, the impression may have been created that there is something basically unsound in its endowment, location and circumstances. This is far from the truth. The region is well located in relation to the large market on the eastern seaboard of the United States; its deep-water endowment will be an increasingly valuable asset in an age of superships; the region has a stable environment and an intelligent, hard-working labour force; it is free of serious problems of congestion; problems of pollution, where they exist, are capable of control and resolution at a reasonable cost. In recent years, many changes have occurred which have vastly improved the climate for economic development. The highway network of the region has been expanded and upgraded; container services have been established at the two major ports of the region—Saint John and Halifax; educational and technical

training facilities and institutions, at all levels, have been vastly improved and expanded; programs to promote increased labour mobility and manpower training are developing a better-educated, more mobile and more adaptable labour force; institutions capable of supplying scientific and technical research services to industry have greatly strengthened their capabilities and facilities; each of the provincial governments of the region has developed organizations and personnel geared to more comprehensive policy planning and co-ordination; community infrastructure, especially in some of our major urban centres, has been improved and expanded.

With the new and improved federal programs for regional development and with more appropriate monetary and fiscal policies—as recommended in this strategy—the region can be revitalized.

CHAPTER 2

A Strategy for Development— Conclusions and Recommendations

This strategy does not attempt to provide a detailed blueprint; it does indicate the Council's views as to the main avenues the development effort must take and the overall magnitude of the task. The following are our main conclusions and recommendations; elsewhere in the document these topics are dealt with at greater length.

Targets and Main Elements of a Strategy for the Economic Development of the Atlantic Region

The Council has adopted the creation of increased job opportunities as the primary objective of the development strategy for the Atlantic region; it is primarily through the manufacturing sector that the necessary stimulus to the economy must be provided.

1. The primary objective over the next ten years, 1971-1981, must be to achieve adequate employment opportunities for the region's population and, at the same time, bring about the structural changes in the economy which will ensure for the future a high and self-sustaining level of activity.
2. The heavy, forced out-migration of population from the region in search of job opportunities is a continuing drain on the vitality of the region and must be greatly reduced.
3. Based on estimates of the growth of population and labour force, and our employment targets, it will be necessary for the region to generate a total of approximately 170,000 new jobs over the next ten years. It is to be noted that this is the total *net* requirement, i.e. the number of *additional* jobs. These increased employment opportunities will be necessary to reduce unemployment, to provide for new entrants into the labour force, and to provide better opportunities for those underemployed in low productivity occupations.
4. It is the Council's conclusion that approximately 50,000 of these additional jobs must be found in the manufacturing sector; the service

industries should produce an even larger number of new jobs—approximately 119,000—provided the manufacturing sector achieves its target; the primary sector of the economy, on the other hand, will likely provide a significantly smaller number of job opportunities than at present.

5. It is estimated that the total capital investment required to achieve the targets of the development strategy is approximately \$25 billion in the 1971-81 period.

6. The Council believes that the achievement of the employment and investment targets set forth above will result in a significant reduction in the present disparity between regional and national per capita income levels.

Manufacturing and the Role of Growth Centres

7. The main impetus for development in the Atlantic region in the next decade must come from the manufacturing sector, and particularly from secondary manufacturing.
8. High priority should be given to the development of secondary manufacturing industries which transmit the growth taking place in external markets to other industries within the region.
9. The attraction of an assortment of non-related industries should not be regarded as constituting a successful development effort. The best avenue for substantial and sustained regional development lies in the attraction of growth industries, using modern technology and having supply and market relationships with other industries within the region.
10. The industrial complex approach, which is based on the essential interrelationships among a group of industries established in one location, is one of the newer techniques of industrial development. In the opinion of the Council, this approach should receive special attention for the region's

main growth centres in conjunction with the development of other viable industries.

11. The development of a strong secondary manufacturing base in the Atlantic region, and hence the economic development of the whole region, will best be promoted through the existence of strong "growth centres", which possess an adequate population, the necessary kind and variety of facilities and services, good community and cultural amenities, and a sufficient concentration of industrial activities to permit firms to realize economies of scale and agglomeration. A growth centre approach is, of course, based on the recognition, reinforcement and harnessing of economic tendencies and forces that are already at work.

12. Only strong growth centres will effectively serve as stimulators and catalysts for the overall growth of the region.

13. The Council is in agreement with the present selection of growth centres in the region; the merits of other areas should be given careful consideration in the second phase of Special Area selection.¹ The potential impact of growth centres will be dissipated, however, if more than a small number of such centres are selected in the region.

14. The industrial development which occurs in growth centres will not be at the cost of other centres in the region; on the contrary, such growth centres will primarily attract industries which would not otherwise locate in the region.

15. Federal assistance for the facilities and services, i.e. infrastructure, necessary to promote development, should not be restricted to growth centres. It should be available, on a discretionary basis, in other areas where required and where warranted by the significance of the project or program to which it is related.

The Resource Industries and Resource Centres

Resource-based activities will continue to be important in the overall economic base of the region, and opportunities for new and expanded activities based on the processing of the region's natural resources must be actively and systematically explored and promoted. Activity based on the region's resources will not, however, by itself, provide sufficient employment opportunities. Significant changes will be required in the extractive phase of primary activities, where forces tending to declining labour demand are already operative.

16. Activity based on the region's natural resources will continue to play an important part in the economy of each of the four provinces and will constitute the economic base in many locations. Detailed and systematic investigation of possible interrelationships with supplying industries and industries involved in higher stages of processing should be undertaken to achieve greater development based on our natural resources.

17. In the primary extractive sector, particularly in agriculture and fishing, a considerable degree of consolidation of operations into more viable units will be necessary, if this sector of the economy is to be efficient, competitive and capable of providing adequate standards of living. Decreased employment opportunities in this sector, reflecting a continuation of the long-term trend, will have to be offset by the opening-up of new job opportunities in other sectors of the region's economy.

18. The Council believes that the concept of resource centres, corresponding in the resource sector to the industrial growth centres in the secondary manufacturing sector, should be adopted. Over a period of time, various types of similar resource processing industries should be encouraged to locate in these centres. The clustering of resource-based activities will facilitate the provision of adequate supporting services and the adoption of the most modern technology of extraction, harvesting, processing and marketing.

¹ For a discussion of the term "Special Area", see page 73.

The Promotion and Financing of Industrial Development; Monetary and Fiscal Policies for Development

The Council believes that industrial search and promotion must, in future, be carried out on a more co-ordinated basis and assisted by excellent industrial intelligence. Changes are, in the opinion of the Council, required to make the industrial incentives program more effective. Other sources of industrial finance must be expanded and made more flexible in their operations. Finally, federal monetary and fiscal policies must be attuned to providing a climate which is favourable for regional development. In February 1970, the Council made representations to the Honourable Jean Marchand, Minister of Regional Economic Expansion, regarding the severe impact of tight money on the Atlantic region and the difficulties of business, especially small business, in securing adequate financing. Specifically, the Council recommended with respect to the Atlantic region, wider powers for the Department of Regional Economic Expansion in respect of loan guarantees. The Council welcomes recent amendments to the Regional Development Incentives Act which have extended the Department's powers to guarantee loans.

19. The search for new industry should be carried on in a scientific and rational manner which is based on matching the locational requirements of industry with the attributes of a particular area. The Council recommends the joint establishment by the provincial governments of the Maritime Provinces of a regional industrial intelligence and promotion agency. Such an agency should receive some initial federal financial assistance. The purpose of this agency would be to carry out a systematic and scientific search for promising industrial opportunities and to make contact with industries that might locate in the region. We suggest that in the case of the Province of Newfoundland and Labrador, the search for industrial opportunities be carried on under present programs which should, however, be accelerated and expanded.

20. The Council believes that some changes in the federal industrial incentives program would improve its effectiveness. Specifically, the Council makes the following proposals for change:

- (a) the development incentives grants should be eligible for capital cost allowances, i.e. depreciation; failure to allow depreciation on the grant portion of capital cost reduces the real value of the grant and does not recognize the problem of capital replacement;
- (b) given the need to attract a substantial number of labour-intensive industries to the region, there should be broader provision for settling-in grants. The Council recommends that present powers of the Department of Regional Economic Expansion be extended to provide that settling-in grants for up to a three-year period would be available on a discretionary basis, for operations eligible for development incentives, and conditional upon the recipient firm undertaking an appropriate program of manpower training.

21. The Council is of the opinion that more selective instruments of monetary policy must be developed. More information is required as to the impact of monetary policy on the various regions of the country. Accordingly, the Council recommends that the Bank of Canada should publish, on a regular basis, the volume of bank loans, in respect to broad categories, outstanding in the various regions and estimates of the total money supply in each region. During the current period of monetary restriction, the Bank of Canada has asked the commercial banks to give special consideration to borrowers in slow-growth areas and regions. The Council supports this attempt of the Bank of Canada to modify monetary policy to accommodate the differing needs of the lagging regions. The effectiveness of this policy should be carefully assessed by the Bank of Canada and the search for selective instruments to give regional flexibility to monetary policy should be further pursued.

22. The Council is of the opinion that changes in the policies, practices and operations of the Industrial Development Bank are essential, if this institution is to play a more effective role in industrial financing. Specifically, the IDB should expand its role in supplying equity capital.

23. The Council recommends the establishment for the region's main growth centres of special agencies with the power to participate directly in debt and equity financing for firms and industries required as key links in a group of related activities. Such an agency should intervene to set up new firms only when it had exhausted the possibilities of private business meeting the requirements. The Council would envisage that the funding of such an agency would be largely federal although it might be a joint federal-provincial venture.

24. The Council is of the opinion that the removal of the "dual" rate of taxation of incorporated firms, under which there is a low rate of 21 per cent on the first \$35,000 of taxable profits, would have serious consequences for the Atlantic region where many businesses are small. Under present arrangements, small corporations are assisted to accumulate capital for expansion. If the existing arrangement is changed, alternative provisions must be made so that small firms can continue to accumulate capital for expansion.

25. The Council believes that at this stage of the country's development, a concern for economic growth and the arrangements and institutions which foster it, deserve very high priority. Changes which threaten growth through discouraging or making more difficult capital accumulation and investment, should be carefully assessed in respect of both their national and regional impact. The Council, therefore, welcomes indications that the proposed changes in the tax treatment of the mining industries are now being reconsidered.

Existing Business

The Council believes that the expansion and

increased productivity of existing firms in the Atlantic Provinces is crucial to the success of the development effort. Government attention should be directed not only to the establishment of new industries, but also to the requirements of existing businesses, in order to increase their potential for development.

26. The Council believes that existing firms in the Atlantic region can and should make a major contribution to the development effort and should be given effective financial and management help in solving problems which may hamper their efficiency or otherwise limit their potential.

27. To assist business firms already located in the region, the Council recommends that provincial governments establish consultative and advisory agencies, consisting of a small nucleus of persons experienced in problems of business management and operations. The functions of these consultative bodies would be to advise on problems of production, finance, marketing, etc., and to assist firms in solving these problems promptly and effectively. Special attention is required to long-range corporate planning.

28. The Council recommends the establishment of a Regional Management Institute to promote greater co-ordination of management training in the region, to foster new training programs as required, and to ensure more effective use of these services. The Council recommends federal financial assistance in the initial establishment of the Institute.

External Trade

The economy of the Atlantic region is and will continue to be export-oriented to a large degree. The federal government's trade policy must reflect the need of the region for expanded entry into external markets, especially the United States. The opening up of substantial foreign markets for the Atlantic Provinces must become an important objective of Canadian trade policy.

29. The Council believes that business in the region can benefit from the movement toward removal of trade barriers; there are good opportunities in potatoes, processed fruits and vegetables, and the more highly processed forms of fish and other products. Specifically, the Council recommends that the federal government press for free trade in potatoes with the United States; the Council notes that this was also recommended by the Federal Task Force on Agriculture.

30. Trade policy must be concerned not only with the level and structure of tariffs, but also with non-tariff trade barriers, such as quotas which, in some instances, may present as great or greater obstacles to the sale of goods in external markets.

31. Special marketing and trade fair programs sponsored by the federal and provincial governments are developing more interest in and knowledge of export markets, and should continue to be supported.

32. Special arrangements with respect to duty treatment should be considered as one possible form of financial incentive for significant industries.

33. Selective assistance to open up or expand markets for exports should be considered, along the lines of the recently announced program of assistance for ships for export.

Transportation

Costs of transportation will continue to be an important factor in the region's competitiveness in markets. A more selective policy with respect to transportation cost assistance, based on an assessment of the significance of the industry and the importance to it of transportation cost, is considered more appropriate to development strategy in the future, than the "blanket" type of transportation cost assistance. The quality of transportation services will be of vital importance in facilitating greater development in the region.

34. The basic function of transportation policy for the Atlantic region is to ensure the existence of the necessary services and facilities to accommodate the activities of the region. Quality of service is important along with cost, and much needs to be done in improving the quality of transportation services.

35. The need for close contact with the market, as well as with suppliers, is a feature of many modern industries. This requires easy and quick communication between the main centres of the region and between those centres and key external centres. An upgrading of air services throughout the region is a matter of high priority.

36. The "blanket" type of transportation cost assistance is of decreasing relevance and appropriateness as an instrument of regional development. At the same time, abrupt changes could cause serious dislocations to a number of operations. The proposed gradual removal of the rail subsidy on movements within the region and its replacement by more selective measures is a move in the right direction. The Council recommends that the impact and effects of the external rail subsidy should now be examined to determine whether more selective assistance would make a greater contribution to the development of the region.

37. Consideration should be given to assistance on transportation costs for selected inputs required by manufacturing and processing plants in the region, a program recommended in the 1969 Report of the four Atlantic Premiers on Atlantic Provinces Transportation Policy.

38. The Council approves of the recent extension to commercial truck traffic of the transportation assistance which has been provided in the past in respect of railway traffic.

39. On some routes and for some services, shipping services are inadequate and constitute a barrier to expanded exports. This problem should

be reviewed in detail for the development of solutions.

40. To take advantage of changes in the technology of transportation, transportation policy in respect of the Atlantic region should give high priority to searching out and supporting opportunities for new trade and industrial activity, based on the region's geographic location and its deep water endowment.

Services

The service sector—which includes industries supplying a variety of business and personal services to government, firms, institutions and individuals—has experienced rapid growth in both the national and the Atlantic Provinces' economy over the past two decades. The Council expects substantial increases in service sector employment, concurrent with a successful development effort.

41. The growth of the service industries in the Atlantic region will depend to a large extent on the success of the development program in promoting higher levels of income and employment. There may be instances, however, where financial assistance is warranted to ensure the provision of a particular service operation, necessary for the establishment of other industries or because of the significance of the operation itself in the area economy. Provision exists for assistance to commercial operations in special areas where warranted by the prospective role of the undertaking. Recently provision has also been made for loan guarantees for certain commercial operations in designated regions. The extent to which this aid will be available is not yet clear. The Council will be studying, however, the adequacy of financial assistance for service undertakings in the light of the use of these additional powers and if considered warranted, will make further recommendations.

42. The Council recommends the concept of

service centres, a counterpart of the growth centres and the resource centres. Such service centres would supply their surrounding areas with the range and variety of services which cannot be made available in all centres. This would apply particularly to the major and more specialized types of government services, including, of course, health services. Growth centres and resource centres will also perform service functions for most areas of the region. In addition, there will be a need, however, for the development of a limited number of service centres.

Tourism and Recreation

The location and physical attributes of the four Atlantic Provinces are valuable assets for both the present and the future.

43. The Council believes that tourism can be a source of greater employment and income in all four provinces, especially in Prince Edward Island. Major programs in this respect should be carefully selected to improve the returns to the province and region of the tourist trade. Special attention is required in the design of programs and facilities to overcome the problems of marked seasonality and peak demands on facilities.

44. The Council recommends that tourism projects should be eligible, on a discretionary basis, for federal assistance, provided such projects are of substantial significance for the economy of the area and are part of a planned program. At present there is provision for financial assistance to commercial undertakings in special areas and under recent changes in legislation, also for loan guarantees to certain commercial operations in designated regions. The Council will be studying the extent to which these powers appear to meet the need and may make further recommendations in this respect.

45. The Council recommends the establishment of a regional program for the upgrading of training for all occupations in the recreation-tourism

service industry to improve the performance and viability of the industry.

46. The Council recommends that the necessary measures be taken to protect and preserve recreational areas and resources for the benefit of the region's residents in the future; such measures could include, for example, purchase of land for future recreational needs.

The Protection of the Environment

With good planning, industrial development is entirely compatible with the preservation of a high-quality physical environment.

47. The Council recommends that careful physical planning for the protection and preservation of the environment be an integral part of the development effort.

48. The Council believes that the economic development of the region can be achieved without the sacrifice of the quality of the environment; in fact, we include this as an essential condition of the program. This will require very careful attention to the problem of pollution control. Because pollution control is costly, the provinces may require additional assistance from the federal government. This is a problem which is not, of course, confined to the Atlantic region. Despite the heavy demands on the federal government, the Council recommends a high priority on measures to remedy, contain and control pollution.

49. Some problems of pollution may involve more than one province. Some mechanism for joint planning and action should be available to deal with such situations. The Canada Water Act already provides a vehicle for such joint action in respect of water pollution.

Other Factors in Regional Development

50. The construction industry of the region will

be subject to heavy demands in the next decade as developmental programs gather strength. It is vital both for the industry and for the economy as a whole that the construction sector organize itself so that it can meet these demands smoothly and efficiently.

51. The power utilities of the region should be encouraged to continue the development of regional and external interconnections and the use of larger units, to ensure adequacy of power supplies and rates which are competitive with costs of electric power elsewhere. If necessary in special cases, federal assistance should be provided for this program to go forward.

52. The Council recommends that further study of a tidal power development in the Bay of Fundy should be initiated. Of particular relevance in this connection are the increased cost of power generation from alternative sources, supply problems in coal, and the growing concern on all sides with problems of pollution.

53. The region should build on those things in its endowment, location and environment which are unique to it or in which it has inherent advantages. The region is marine oriented and should seek to develop and excel in the skills, sciences and undertakings related to its ocean environment. The recent report of the Science Council of Canada, "Canada, Science and the Oceans", stressed the need for "a national program, a Major Program in Marine Science and Technology" to ensure that Canadians meet the challenges and profit from the opportunities presented by the marine environment. The Atlantic Provinces should build upon their existing capability in this area and thus prepare themselves to be in the forefront of such a development.

54. The Council is of the opinion that the academic and research institutions of the region should be closely involved in the development effort of the region and ways should be sought of maximizing their participation.

55. The Council recommends that an Institute of Regional Studies be established. Such an institute would provide a focal point for the mobilization of the talents of people within the region in such varied disciplines as the physical and social sciences, engineering, education, finance, and others, in contributing to the program of economic development and social adjustment in the region.

56. The manner in which labour exercises its role in the industrial, social and economic community will be a crucial factor in the performance of the economy in the decade ahead. The Council recommends the establishment of an Atlantic Region Labour Education Centre which would provide leadership training for labour leaders in the region; it also recommends that federal financial assistance be provided to assist the establishment of this centre.

57. Education must continue to receive high priority in provincial budgets; in part, the region is still "catching up" in this important area of activity. It is vital for the region and its population that, for the immediate present, strong emphasis be given in all phases of education to the qualifications, skills and talents most relevant to the region's development. This implies at the secondary school level a thorough high-quality training in mathematics and sciences, high priority for the technical training institutes at the post-secondary level and, at the university level, greater relevance to regional development problems in research and development activities and graduate work.

58. The Council is of the opinion that in a number of areas in the region, such as Halifax-Dartmouth, Sydney area, Strait of Canso area, Pictou-New Glasgow-Stellarton area, Fredericton, Moncton and St. John's, there is a serious need for rationalization of the municipal structure through amalgamation, redefinition of boundaries, etc. This will permit better economic, social and physical planning, as well as enabling economies of scale in the provision of services. In other locations, the need for municipal reorganization may be less pressing, but significant benefits will accrue from

arrangements and institutions for co-ordinated planning and co-operative action on an area basis.

59. The policies, programs and approaches discussed in this strategy have reference to the whole Atlantic region. However, Prince Edward Island and the Province of Newfoundland and Labrador have characteristics which may require different program emphasis. The economy of Prince Edward Island is predominately oriented towards agriculture, fisheries and tourism, and hence policies pertinent to the development of these sectors are of more relevance than those aimed primarily at secondary manufacturing. In the Province of Newfoundland and Labrador, special attention will be required for some time to come to the continued improvement and build-up of social and community services and infrastructure, and to problems of human mobility and adjustment. A good current assessment of potential secondary manufacturing opportunities for Newfoundland is essential; in the interim, some additional flexibility in the approach to industrial incentives may be warranted. In both Newfoundland and Prince Edward Island, quality and cost of transportation services is a matter of special concern.

The Human Element and Development

60. The strategy proposed in this document contemplates, and indeed requires, widespread structural change which will affect people, firms and institutions. A great deal of geographic and occupational mobility will be required. The development effort will thus make heavy demands on many people in the region in terms of adjustment to new areas, new occupations and new circumstances. We must profit from the lessons of the past to achieve a much more successful economic and social adjustment to changes. This will require careful attention to adequate counselling to ensure successful relocation of people from rural to urban areas, effective and imaginative use of manpower training and mobility programs, and the advance planning of housing and other service requirements in growing areas.

61. Harmonious labour-management relations are crucial to a successful development effort in the region, and ways must be found of minimizing industrial discord and friction. Unless the co-operation of labour and management in working toward mutually accepted, goal-oriented objectives is obtained, the best-conceived programs will founder.

An Administrative Structure for the Planning of Regional Development

62. The regional aspect of development planning is becoming increasingly pertinent. There is, however, at present, no formal vehicle whereby the provincial governments of the region as a group and the federal government can meet to discuss, plan and agree upon the needs of the region and the policies and programs required to meet them.

63. The Council suggests, as a first step in this direction, the establishment of an annual or bi-annual conference between the Atlantic premiers, the Minister of Regional Economic Expansion and other appropriate representatives of both levels of government.

Program Evaluation and Monitoring

64. Systematic monitoring of programs and projects and periodic evaluation of results in terms of objectives and targets are requisites of a successful development effort. The primary responsibility in this respect rests with the provinces and on the federal side, with the Department of Regional Economic Expansion. The proposed annual or bi-annual conference should provide an appropriate occasion for the review, at the top level, of performance reports.

65. Data relevant to the economy of the Atlantic Provinces are with reference to some subjects, and in some respects, seriously inadequate to provide a basis for the formulation of policies and

programs and their subsequent monitoring. The Council has found this a serious problem which has hampered and complicated the preparation of a development strategy. Now that a comprehensive development effort has been launched, steps must be taken to correct this situation.

The Need for Consistency in National Policies

66. It is vital for the success of the development program in the Atlantic region that national economic policies be more closely co-ordinated, so that there is consistency of approach. In the absence of better co-ordination, the effects of special regional development programs will be negated or largely offset. This applies especially to monetary and fiscal policies, external trade policy and policy with respect to foreign investment in Canada.

CHAPTER 3

The Goals and Objectives of a Strategy for the Economic Development of the Atlantic Region

The problem that confronts us is one of slow economic growth in all four Atlantic Provinces. Its manifestations are lower *per capita* income levels than the national average, higher unemployment rates, and substantial out-migration.

The purpose of regional development policy is to bring about a substantial and continuing improvement in regional economic performance. The most important step in the preparation of a development strategy is to establish the goals and objectives. In the case of this strategy, these goals and objectives will indicate the achievements which, in the opinion of the Council, the economy of the Atlantic Provinces should attain in the decade of the 1970's.

Although the objectives are related to economic attainment and are expressed in economic terms, they are much broader in their implications. Economic development is not an end in itself, but rather the means to the fullest possible social development of the region and all of its people. Economic development is, however, the essential first achievement; it is the key to all other developments.

The ultimate objective is the fullest and most efficient use of the human and material resources of the region. This broad statement of objectives implies, over the longer term, full employment. It also implies that the people of the region will find employment in the region, and that the continuous heavy migration of people from the Atlantic Provinces—a situation that has aggravated the region's slow growth—will be greatly reduced in scale.

The Council believes that the opportunity for productive work should be available to all and that, therefore, the reduction and eventual elimination of unemployment should be the prime objective of regional development strategy. The Council is not defining specific targets for per capita income, either in absolute terms or in relation to national levels. If the strategy proposed by the Council is adopted and followed, the out-

come should be a significant increase in the proportion of the population that is employed, and a higher level of productivity. The result would be higher per capita incomes.

The statement of objectives in these broad terms implies a specific target in terms of the number of new job opportunities that will be necessary to take up the present slack in employment and to provide for new entrants to the labour force. The requirement for higher productivity—for more efficient use of resources—entails the movement of resources (notably labour) from low-productivity endeavours and occupations to those where productivity is higher.

Moreover, an essential part of a statement of the development objectives for the region is that the quality of life should be maintained and improved. This objective encompasses the preservation and enhancement of the region's physical amenities and environment—the avoidance of pollution, congestion, urban sprawl and such features as have, unfortunately, often been associated with economic development, and especially industrial development, in other areas in the past.

Targets represent the formulation of objectives in quantitative terms. Two major factors should be taken into consideration in the establishment of targets. First, they must be reasonable and capable of attainment. Targets that are unrealistically high may only hinder the development effort and produce frustration and disenchantment with the whole process. Secondly, the targets should be challenging. They should be sufficiently high to call forth a reasonable effort on the part of all institutions, groups and individuals concerned with the development process.

Targets perform a number of vital roles. They serve as a guide to public policy and require that top priority be given to those policies and actions with the greatest potential impact. They challenge each individual and business organization to perform in such a way that all such private actions are directed, as far as possible, to the achievement of

the targets which society has set for itself. Finally, the targets serve as a yardstick against which public and private actions can be measured.

In this strategy, reference is made to employment targets and investment targets. These targets represent the Council's judgment of the approximate levels of employment and investment that are both necessary for the achievement of the stated objectives and capable of realization. It must be stressed that the targets are approximations, not precise measures.

Employment and Investment Targets

Employment targets are based on two main objectives. The first objective is a reduction of the unemployment rate in the region as a whole to between 5.0 per cent and 6.0 per cent by 1976 and to between 4.0 per cent and 4.5 per cent by 1981. The second objective is a substantial reduction in the recent high net migration rates which have adversely affected both the region's productivity and the size of its internal markets. This, of course, does not imply that internal population movements should be reduced. Indeed, an accelerated internal movement is a requirement of achieving the objectives of this strategy.

Based on our assumptions and on the objective of substantially reducing the rate of net migration, it is probable that the labour force in the Atlantic Provinces will number 842,700 in 1981. The employment objective, given the unemployment rate target, is 806,700, which means that it will be necessary—on the basis of employment of 638,400 in 1971—to create, over the 10-year period 1971-1981, a total of approximately 170,000 (168,300) additional jobs.

Investment targets are directly related to the employment targets. It can be expected that investment requirements per job will vary widely in both the primary and service industries, as well as in the manufacturing industry. Adequate statistics on the cost of creating new job opportunities do

not exist and information on capital stocks is likewise deficient. The Council estimates, however, that a total capital investment of about \$25 billion in current 1970 prices will be required in the 1971-81 period. This figure includes both the direct investment required to meet the employment objectives, the indirect investment in infrastructure required, i.e. utilities, transportation and communication systems, etc., and the housing requirements.

One requirement for achieving a self-sustaining, high level of operation in the regional economy in the future, is an increasing degree of urbanization of the population. This objective is consistent both with the present trend and with the role of urban concentration in industrial and economic development. In this document, an increasing rate of urbanization is assumed, which will be reflected by the end of the next decade in an urban population of about 72 per cent for the region, compared with 50 per cent in 1961 and 54 per cent in 1966.

A significant degree of change in the structure of the Atlantic economy is required to achieve the objectives of the development strategy. The present structure of the economy is incapable of generating sufficient growth to produce the levels of employment and income which are required.

The weight of the burden of new job creation will fall on the manufacturing and service sectors. In manufacturing, a target of 50,000 net additional jobs has been established for the 1971-81 period. It will require for the region an unprecedented industrialization effort to meet this target. An achievement approximating to this is, however, necessary and in our opinion feasible. To a large extent, job creation in the service sector depends upon the success of the industrialization program, the demand for many services being closely related to the level of economic activity and income.

The supporting sectors of the economy, i.e. construction, transportation, storage, communications and utilities, will provide only a modest increase in

employment opportunities. In the primary extractive industries, forces tending to decreased manpower requirements are already at work. Moreover, further reductions over the next decade in manpower requirements in this sector are regarded as the condition upon which this sector will be viable and productive of higher income levels to those who will continue to find employment there.

This large release of labour from primary activities can only be contemplated, however, if alternative job opportunities are available in other sectors of the economy.

Thus a strong surge forward in manufacturing is crucial to the whole development strategy.

II The Past

CHAPTER 4

The Regional Problem in Historical Perspective

The Maritime Provinces enjoyed a period of great prosperity during the first half of the nineteenth century. This was the so-called "Golden Age" of wood, wind and water. Under the mantle of a protective British mercantile policy, the region's cod was sold in the British West Indies, and Maritime timber found ready markets in Britain. The goods involved in this "triangular trade" were carried in wooden bottoms, and with accessible timber resources, it was not long before an extensive shipbuilding industry developed.

The Maritimes soon assumed a major role in the carrying trade, and Maritimes-built ships came to be seen in every great port in the world. By the middle of the nineteenth century, the region had become a major commercial maritime power, standing fourth in the world in registered tonnage.

A feature of the regional economy during the "Golden Age" was its integration in a pattern of international trade conducted under British sponsorship and with British protection, which assured the opportunity for exploitation of the region's available resources. This external integration was complemented at the same time by a considerable degree of internal integration of the region's economic structure. As the Royal Commission on Dominion-Provincial Relations noted: "All their minor and subsidiary occupations were nicely geared to support and develop these leading industries. This balance in their economy and the perfection of their skills signified a confident maturity which enabled them to compete on even terms in the deep-sea carrying trade."¹

The institutional arrangements behind this Maritime prosperity began to be undermined even before Confederation, when changes in international conditions led to the abolition of colonial trade preferences.

Technical change was a more telling factor, however, in removing the basis of the region's

prosperity. The wood, wind and water basis of ocean transportation was replaced by steel and steam. There were then fewer natural advantages for the Maritimes, and the remote, thinly populated region was not able to maintain its importance in shipbuilding and the carrying trade.

While the Maritime Provinces were losing their advantage in ocean transport, they were attempting to adapt the new technology of steam and steel to land transportation. In particular, a number of schemes were advanced to construct a railway linking Canada and the Maritimes. Although some 380 miles of railways were built in Nova Scotia and New Brunswick by the time of Confederation, it was not until 1876 that the Intercolonial Railway was completed. With it the Maritimes hoped to be able to penetrate markets in central Canada, and to capture for the ports of Halifax and Saint John an important share of the shipments from central Canada to export markets. Thus the Maritime Provinces began to turn from the sea and from overseas markets to the continent behind them as a new basis for prosperity.

The great hope which the pro-Confederation spokesmen held out was access for Maritimes manufacturers to the markets of Ontario and Quebec. A confident belief that manufacturing would grow led regional entrepreneurs to undertake considerable investment and expansion during the first two decades after Confederation. But the optimistic outlook was to prove unjustified by events, as a new framework of policy emerged.

In 1878 Canada adopted the National Policy, consisting of three means of providing the new nation with an economic identity. First, a trans-continental railway would be built to connect the west to the east. Secondly, the west would be settled by immigration, not only to strengthen the Dominion's claim to the west, but also to provide freight for the railways. Finally, protective tariffs would be imposed on manufactured goods to encourage the development of secondary manufacturing and strengthen the east-west

¹ *Report of the Royal Commission on Dominion-Provincial Relations*, Queen's Printer, Ottawa, 1954, p. 23

flow of trade and, in the process, utilize the excess capacity of the railroads.

The major employment and income effects of the National Policy were conferred on the central provinces. Although the Maritimes participated in the railway boom and enjoyed the attendant benefits of the development of Nova Scotia's coal and iron and steel industries, these effects were much less pronounced and much less cumulative than those in central Canada. The manufacturing expansion which occurred in Canada after the introduction of tariff protection became concentrated in Ontario and western Quebec. As the Royal Commission on Dominion-Provincial Relations noted:

"With the cheapening of transportation and the growing advantages of large-scale production, industry was drawn nearer to the rapidly increasing populations of Western Canada and the Central Provinces, and nearer to the centre of United States' industry which financed and controlled so many of the Canadian manufacturing enterprises."¹

Soon many of the small manufacturing industries of the Maritime Provinces began to disappear in the face of competition from the mass-produced goods of central Canada.

The 1920's were a period of reasserted growth for the Canadian economy following a brief recession at the end of the First World War. New developments in hydro-electric power production, in minerals, in pulp and paper, and the increasing use of the internal combustion engine, all contributed to progress which was felt mainly in the central provinces and British Columbia. The Maritime Provinces remained merely on the fringe of this national growth.

An attempt was made to improve the competitive position of regional industry in central Canadian markets through reduced railway rates under

the Maritime Freight Rates Act of 1927. Nevertheless, the polarization of manufacturing industry in central Canada continued until the onset of the Second World War. More small-scale establishments in the Maritimes found it necessary to close down. The only regional industry which experienced real growth in this period was pulp and paper.

For the most part, however, the economic activities of the Maritime Provinces proved competitive with, rather than complementary to, the industries of central Canada. Apart from fish and coal, the goods produced in the Maritimes were available more cheaply from sources in Ontario and Quebec. While Maritime industry was unable to compete in central Canada, the hope of drawing substantial central Canadian traffic to Maritime ports did not materialize. Although railways had been built linking Halifax and Saint John with the interior of the country, the higher cost of railway over water transport resulted in Canadian traffic being drawn to St. Lawrence and American ports.

Thus the Maritime Provinces, their old economic base removed, failed to respond to the new policies of transcontinentalism and became a peripheral, lagging region of the Canadian economy. With Newfoundland's entry into Canadian Confederation in 1949, the region became the Atlantic Provinces. Prior to Confederation, Newfoundland had been cut off, politically, geographically and economically, from the growth taking place in North America. As Dr. Copes has noted:

"When Newfoundland joined with Canada in 1949, it ranked behind every Mainland province by almost every criterion of economic comparison."¹

¹ *Op. cit.*, p. 74

¹ P. Copes, *St. John's and Newfoundland—An Economic Survey*, Sponsored by the Newfoundland Board of Trade, St. John's, 1961, p. 125.

During the first eight years of Confederation (1949-1957) Newfoundland experienced rapid economic development. However, the initial gap was so great that by 1957 Newfoundland still ranked last in terms of *per capita* economic performance. As Dr. Copes notes,

“The recession that hit Canada in 1957 was particularly serious for Newfoundland . . . Indeed, the income gap between our province and the Mainland would probably have widened were it not for our receiving an increasing share of federal welfare payments. Newfoundland did not recover from the 1957 recession as well as did the other provinces . . .”¹

During the decade following the Second World War, the maturing Canadian economy enjoyed one of the greatest expansions in its history. But the Maritimes and Newfoundland shared only to a limited extent in this prosperity. With the nation enjoying “full employment” by Canadian standards, with unemployment ranging between three and four and one-half per cent during the mid-fifties, the Atlantic Provinces’ rates were notably higher.

At the end of the 1950’s, it became clear that the rapid expansion of the Canadian economy as a whole had not improved the relative position of the Atlantic Provinces within the national economy of Canada.

During the decade of the 1950’s, as employment declined in the primary industries, there was practically no expansion in employment in the region’s manufacturing industries. The required structural changes had not developed through the working of market forces. The weakness of the region’s economy became most marked when the postwar period of rapid national growth terminated in 1957. Increasingly informed opinion both within and without the region, accepted the argument that national monetary and fiscal policies should be supplemented with finer

instruments that could deal more directly with the problems of the Atlantic Provinces and, indeed, other lagging areas within the national economy.

In the 1960’s, a number of new organizations, policies and programs relevant to regional development came into being. This was the decade of the Atlantic Development Board, ARDA, the Fund for Rural Economic Development, and the Area Development Agency. Programs of the latter three agencies applied to the country as a whole, while the Atlantic Development Board was, as its name implies, concerned only with the Atlantic region. Each of these agencies had responsibilities and functions relevant to the problem of regional disparity, but none of them had a comprehensive mandate in this respect. It was difficult under those circumstances for a fully integrated and comprehensive approach to emerge.

It was to provide such an integrated, co-ordinated approach to regional development that the Department of Regional Economic Expansion was established in April 1969. New areas were designated for industrial assistance which are sufficiently large to encompass a developmental potential. The entire Atlantic region, except Labrador, was designated as eligible for industrial incentives, a new regional development incentives program was inaugurated, and special growth centre areas have been named where additional types of assistance are available because of the impact of such areas on the regional economy and where financial assistance is available for the provision of utilities and services to make the areas more attractive for industrial growth.

Cause and Effect

Significant features of the Atlantic region’s economy are a relatively smaller population of working age in comparison with Canada as a whole, a lower labour force participation rate, a higher unemployment rate, a lower level of investment *per*

¹ *Op. cit.*

capita, and lower levels of educational attainment. "These", in the words of the Economic Council of Canada in its Second Annual Review, "are the symptoms of a region in a low-level 'income trap', and the breaking-out of that trap poses a formidable challenge to national policies for regionally balanced economic development."¹

At the same time, it might be noted that these conditions in the Atlantic Provinces, while originating with the technological and economic changes of the mid-nineteenth century, tend to become reinforcing. While they were in the first instance the

effect of a retarding process in economic and social development, in time they have tended in themselves to become a cause of a slower rate of economic development. The migration of population from the region has had a qualitative as well as a quantitative effect on the population remaining in the region. Lower levels of income and lower levels of educational attainment have a tendency in time to produce a lower ability to innovate and to adapt to innovation. Entrepreneurial talent is neither fostered nor retained in slow-growth regions. Thus the results of slow growth have in themselves become causes of slow growth.

¹ Economic Council of Canada, *Second Annual Review, Towards Sustained and Balanced Economic Growth*, Queen's Printer, Ottawa, December, 1965, p. 136.

CHAPTER 5

The Economy in the 1960's

In order to develop a strategy to guide the region's development in the 1970's, it is necessary to examine the trends in the economy of the Atlantic Provinces during the 1960's. It is also important to compare the growth of activity in the Atlantic Provinces with Canada as a whole in order to assess the region's relative position in the national economy.

Growth Trends

Average Personal Income

Personal income per person in the Atlantic Provinces rose steadily from a level of \$1,099 in 1960

to \$2,033 in 1969. This represented an increase of approximately 85 per cent, as compared with an increase of 80 per cent in Canada as a whole. Personal income per person in the Atlantic Provinces amounted to 67.9 per cent of personal income per person in Canada in 1960 and rose to 69.8 per cent by 1969. It should be noted, however, that in absolute terms the difference between regional and national income per person increased from \$519 in 1960 to \$880 in 1969, a rise of \$361 or 70 per cent during the period.

Personal income per person during the 1960-69 period for the Atlantic Provinces and Canada is shown in Tables 1 and 2.

Table 1

Personal Income per Person, Atlantic Provinces and Canada, 1960-69

Year	Nfld.	P.E.I.	N.S.	N.B.	A.P.	Canada
(dollars)						
1960	895	942	1,242	1,104	1,099	1,618
1961	932	943	1,256	1,099	1,111	1,613
1962	951	1,047	1,307	1,147	1,156	1,720
1963	998	1,056	1,370	1,217	1,213	1,802
1964	1,070	1,165	1,452	1,311	1,298	1,898
1965	1,154	1,248	1,562	1,416	1,398	2,066
1966	1,274	1,367	1,713	1,571	1,538	2,283
1967	1,398	1,514	1,905	1,739	1,703	2,461
1968	1,487	1,682	2,072	1,907	1,851	2,660
1969	1,613	1,818	2,307	2,083	2,033	2,913

Source: DBS, National Accounts

CHART 1
PERSONAL INCOME PER PERSON,
ATLANTIC PROVINCES AND CANADA, 1960-1969

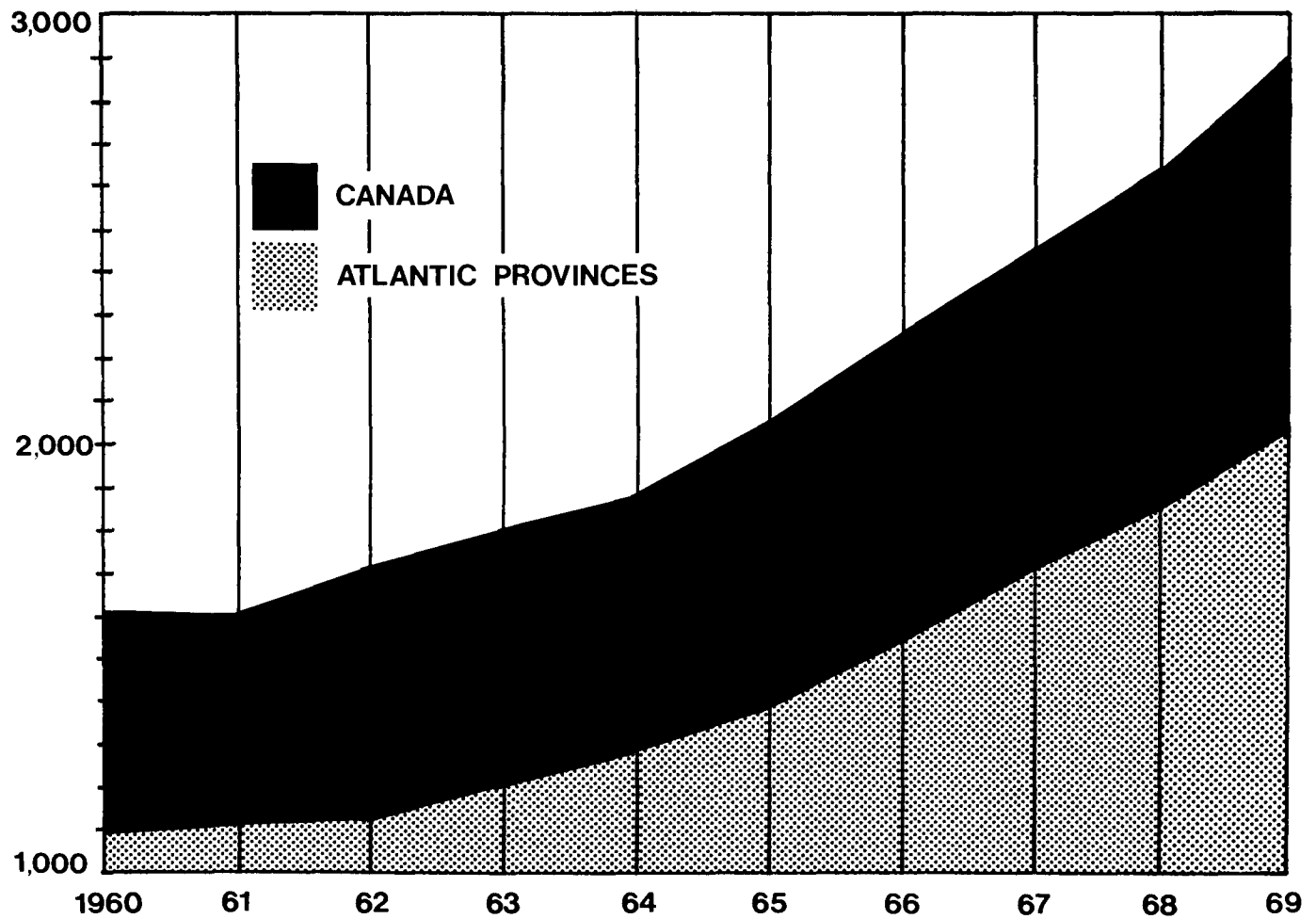


Table 2

Personal Income per Person, Atlantic Provinces, as a Percentage of Personal Income per Person in Canada, 1960-69

Year	Nfld.	P.E.I.	N.S.	N.B.	A.P.
(per cent)					
1960	55.3	58.2	76.8	68.2	67.9
1961	57.8	58.5	77.9	68.1	68.9
1962	55.3	60.9	76.0	66.7	67.2
1963	55.4	58.6	76.0	67.5	67.3
1964	56.4	61.4	76.5	69.1	68.4
1965	55.9	60.4	75.6	68.5	67.7
1966	55.8	59.9	75.0	68.8	67.4
1967	56.8	61.5	77.4	70.7	69.2
1968	55.9	63.2	77.9	71.7	69.6
1969	55.4	62.4	79.2	71.5	69.8

Source: Derived from preceding table.

Components of Personal Income

The main components of personal income are wages, salaries, and supplementary labour income; net income received by farm operators from farm production; net income of non-farm unincorporated business; interest, dividends, and net rental income of persons; and government transfer payments, excluding interest.

In 1960 earnings from wages, salaries and supplementary labour income accounted for 60.8 per cent of personal income in the Atlantic region and 66.7 per cent for Canada. By 1968 earnings accounted for 64.6 per cent of personal income in the Atlantic Provinces but had risen to 69.8 per cent for Canada. The second most important source of personal income, government transfer payments (excluding interest), contributed between 13.4 and 15.8 per cent of total personal income in the Atlantic region during the period 1960 to 1968,

and between 8.1 and 10.7 per cent in Canada. Therefore the Atlantic Provinces are more reliant on transfer payments, and derive a smaller percentage from earnings in personal income, than does Canada as a whole.

Factors in Growth

Population

The population of the Atlantic Provinces increased from 1,867,000 in 1960 to 2,012,000 in 1969 for an increase of 7.8 per cent. Canada's increase over the same period was 17.9 per cent. Therefore, the Atlantic Provinces' share of Canadian population fell from 10.5 per cent in 1960 to 9.6 per cent in 1969. Table 3 gives population in the Atlantic Provinces and Canada from 1960-69, and the percentage of Canadian population accounted for by the Atlantic region.

Table 3*Population, Atlantic Provinces and Canada, 1960-69*

Year	Male A.P.	Female A.P.	Total A.P.	Canada	A.P. as Per cent of Canada
(thousands)					
1960	950.2	916.8	1,867.0	17,870.0	10.5
1961	964.9	932.5	1,897.4	18,238.3	10.4
1962	978.4	947.6	1,926.0	18,583.0	10.4
1963	986.9	957.1	1,944.0	18,931.0	10.3
1964	993.6	964.4	1,958.0	19,291.0	10.2
1965	996.4	971.6	1,968.0	19,644.0	10.0
1966	997.7	977.0	1,974.7	20,014.9	9.9
1967	1,002.8	983.2	1,986.0	20,405.0	9.7
1968	1,009.3	991.7	2,001.0	20,744.0	9.7
1969	1,013.8	998.2	2,012.0	21,061.0	9.6

Source: DBS, *Population 1921-1966*, and *Population Estimates by Marital Status, Age and Sex, for Canada and Provinces*

Labour Force Population

The labour force population is the population, 14 years of age and over, from which the labour force is drawn. For the region as a whole, the labour force population grew by 16.5 per cent, from 1,168,000 to 1,361,000 between 1960 and 1969, while the total population grew by 7.8 per cent. This compares with a growth in Canadian population of 17.9 per cent and in Canadian labour force population of 23.7 per cent. Thus in the Atlantic Provinces the proportion of the total population of labour force age increased from 62.6 per cent in 1960 to 67.6 per cent in 1969, while the proportion of the total population of labour force age in Canada increased from 66.2 per cent in 1960 to 69.5 per cent in 1969.

Estimated Net Migration

The slow rate of growth in population and labour force population in the Atlantic Provinces is directly related to the net movement of people out of the region. Between 1961 and 1969, approximately 150,000 people (on a net basis) left the region—36,000 from Newfoundland, 7,300 from Prince Edward Island, 58,000 from Nova Scotia, and 48,900 from New Brunswick. Furthermore, it is estimated that almost two-thirds of the 106,100 people who left the region on a net basis between 1961 and 1966 were between the ages of 15 and 34.¹

¹ Atlantic Provinces Economic Council, *Second Annual Review, The Atlantic Economy*, Halifax, 1968

Table 4*Net Migration, Atlantic Provinces and Region, 1961 to 1969 (Years beginning June 1)*

	1961-1966	1966-1967	1967-1968	1968-1969	Total 1961-1969
	(thousands of persons)				
Nfld.	-24.4	-4.6	-3.6	-3.4	-36.0
P.E.I.	-4.8	-1.2	-0.2	-1.1	-7.3
N.S.	-41.7	-7.3	-4.8	-4.2	-58.0
N.B.	-35.1	-5.0	-3.2	-5.6	-48.9
A.P.	-106.1	-18.0	-11.6	-14.4	-150.1

Note: May not total due to rounding

Source: Atlantic Provinces Economic Council, *Atlantic Report*, Vol. IV, No. 4, October, 1969.

Participation Rates

The labour force participation rate is defined as the labour force as a per cent of the population 14 years of age and over, or as a per cent of the total labour force population. The participation rate in the Atlantic region fluctuated considerably during the 1960-69 period from a low of 46.8 per cent in 1963 to a high of 48.6 per cent in 1966. In 1969, the rate in the region was 48.1 per cent against 55.8 per cent in Canada.

Labour Force

During the period 1960 to 1969 the Atlantic Provinces labour force increased by 18.7 per cent (from 550,000 to 653,000) while the Canadian labour force increased by 27.3 per cent. This slower growth is due to the lower labour force participation rate and the slow growth in the

labour force population. In the Atlantic Provinces only Newfoundland's labour force grew more rapidly than the Canadian labour force during the period 1960-69. The region's share of the national labour force declined from 8.6 per cent in 1960 to 8 per cent in 1969.

Unemployment Rates

The unemployment rate is the percentage of those persons in the labour force who are not able to obtain gainful employment. The unemployment rate for the Atlantic Provinces during the period 1960-69 ranged between a high of 11.2 per cent in 1961 and a low of 6.4 per cent in 1966. This compares with a high of 7.1 per cent and a low of 3.6 per cent in Canada as a whole. The unemployment rate in the region throughout the period remained about half as large again as the Canadian rate.

Table 5*Unemployment Rates, Atlantic Provinces, Region and Canada, 1960-69*

Year	Nfld.	P.E.I.	N.S.	N.B.	A.P.	Canada
	(per cent)					
1960	18.0	—	—	—	10.7	7.0
1961	19.5	—	—	—	11.2	7.1
1962	17.1	—	—	—	10.7	5.9
1963	15.1	—	—	—	9.5	5.5
1964	10.3	—	—	—	7.8	4.7
1965	11.3	5.6	5.4	7.5	7.4	3.9
1966	7.9	5.6	5.2	6.9	6.4	3.6
1967	8.4	5.6	5.6	6.9	6.6	4.1
1968	9.7	5.6	5.9	7.2	7.3	4.8
1969	10.3	5.3	5.4	8.5	7.5	4.7

— not available

Source: DBS, *The Labour Force*, Special Surveys Division*Employed Labour Force*

The employed labour force of the Atlantic Provinces rose by 113,000 or 23 per cent during the 1960-69 period while the total labour force grew by 18.7 per cent. The regional employed labour force increase compares with the 30.4 per cent rise recorded in the nation over the same period. Because national employment growth outstripped that of the Atlantic Provinces, the region's share of total Canadian employment declined somewhat to 7.8 per cent in 1969 from a high of 8.4 per cent in 1961.

The employed labour force in the region in 1969 was 605,000, of which the provincial distribution was as follows: Nova Scotia 244,000; New Brunswick 194,000; Newfoundland 131,000; and Prince Edward Island 36,000.

Investment

Total investment in the Atlantic Provinces rose from \$819 million in 1960 to a level of \$1,725 million (preliminary) in 1969. This represents an increase of approximately 111 per cent compared with a total Canadian increase of 94 per cent. Hence, the region's share of total Canadian investment increased from 7.3 per cent in 1960 to 7.9 per cent in 1969.

Components of total capital investment tend to vary widely from one year to another, both absolutely and as a proportion of total capital investment.

In the Atlantic Provinces the primary industries and the construction industry accounted for as high as 24.8 per cent and as low as 13.7 per cent of total

capital investment during the 1960-69 period. For Canada as a whole, the primary industries and the construction industry accounted for between 14.8 per cent and 16.7 per cent of total capital investment each year.

The utilities were of increasing importance as a contributor to capital investment in the Atlantic Provinces. In 1960 investment in utilities represented 17.4 per cent of Atlantic Provinces investment, while the Canadian figure was 22.1 per cent. By 1969, utilities investment was 24.9 per cent in the region and 20.6 per cent for Canada as a whole.

The largest contributor to total capital investment: housing, institutional services and government departments, accounted for about half of the total in the Atlantic Provinces in 1960, and for 37.5 per cent in Canada. During the remainder of the period this component represented between 38.5 per cent and 47.2 per cent of capital investment in the Atlantic Provinces and between 33.9 per cent and 39.2 per cent in Canada.

Capital investment in manufacturing in the region amounted to \$107.7 million in 1960 and increased to a level of \$283.9 million in 1969, for an increase of 164 per cent. In 1960 manufacturing investment accounted for 13.2 per cent of total investment in the region and 16.4 per cent in Canada as a whole. By 1969 the share of manufacturing investment to total investment rose to 16.4 per cent in the Atlantic Provinces and to 17.5 per cent in Canada.

Industrial Structure

The five primary activities of agriculture, forestry, fisheries, trapping and mining accounted for 29.6 per cent of the net value of all commodity production in the Atlantic Provinces in 1960 and

for 30.6 per cent in 1967. In Canada the comparable proportions were 22 and 21.8 per cent.

Agriculture is of greatest significance to Prince Edward Island, where it accounts for about one-third of the total net value of commodity production. For the three Atlantic Provinces where forestry is a significant factor, it appeared to be of declining relative importance over the 1960-67 period, dropping from 7.4 per cent in 1960 to 3.3 per cent in 1967. The fisheries remained fairly constant as a contributor to the total net value of commodity production in the period 1967, ranging between 5.3 per cent and 6.9 per cent. The net value of mining production increased very substantially in the Atlantic Provinces between 1960 and 1967: from 9.7 per cent to 14.7 per cent of the net value of all commodity production. In the primary sector, mining accounts for the largest contribution to net value of commodity production for the region.

In 1960 manufacturing provided 37.7 per cent of the net value of commodity production in the Atlantic Provinces and 54.7 per cent for Canada. By 1967 the Canadian percentage had increased to 56.9 per cent, but the contribution of manufacturing to Atlantic Provinces production had fallen to 36.9 per cent.

On the other hand, construction is considerably more significant in terms of net value of commodity production for the region than for Canada as a whole. For the Atlantic Provinces it accounted for 25.8 per cent in 1967 as compared with 17.2 per cent for Canada as a whole.

Finally, electric power accounted in 1967 for 6.7 per cent of net value of commodity production for the Atlantic Provinces, compared with 4.1 per cent for Canada as a whole. These results are shown in Chart 2.

CHART 2
PERCENTAGE CONTRIBUTION BY INDUSTRY TO THE
NET VALUE OF COMMODITY PRODUCTION,
ATLANTIC PROVINCES AND CANADA, 1967

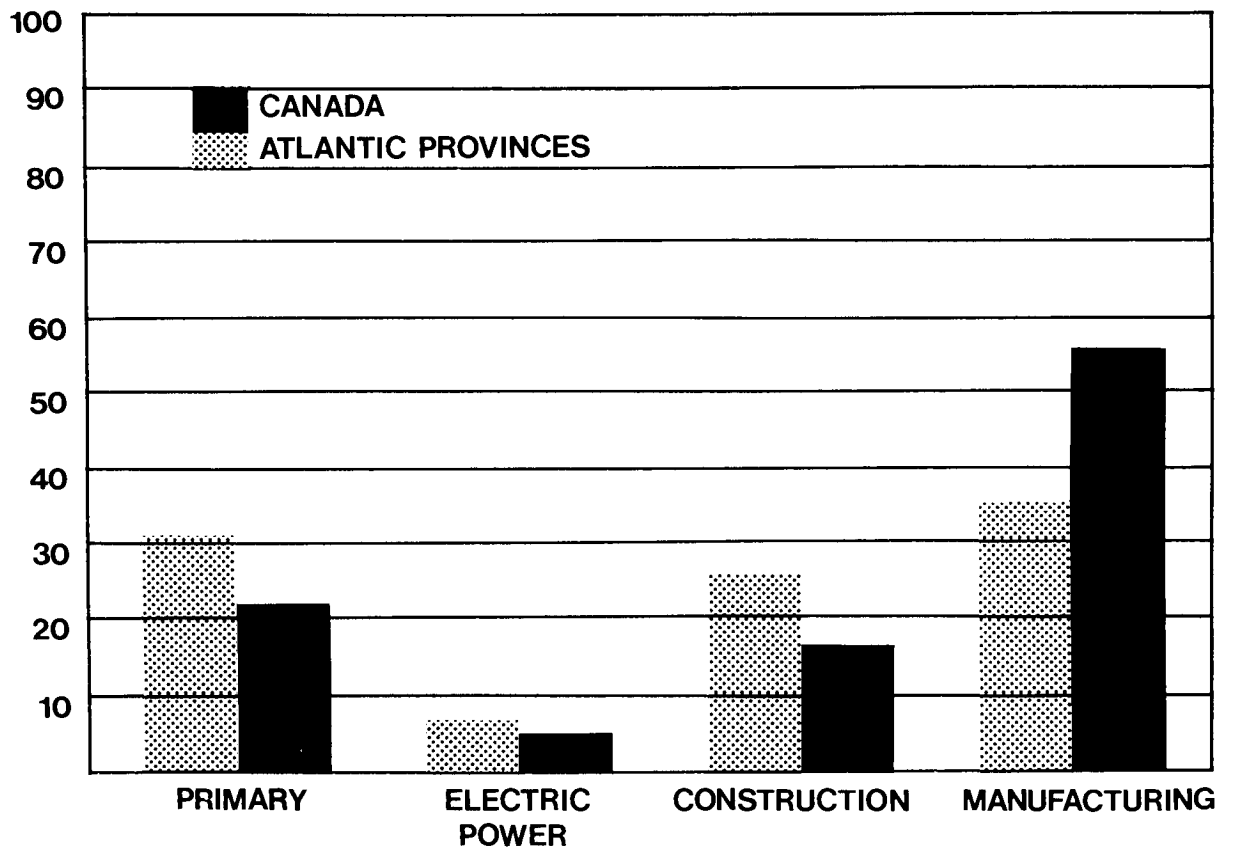


Table 6

Distribution of Employees by Industry as a Percentage of Non-Agricultural Employment, Atlantic Provinces and Canada, 1961-68

Year	Forestry		Mines, Quarries & Oil Wells		Manufacturing		Construction		Community, Business & Personal Services		Transportation, Communication & Other Utilities		Trade		Finance, Insurance & Real Estate		Public Administra- tion	
	A.P.	Canada	A.P.	Canada	A.P.	Canada	A.P.	Canada	A.P.	Canada	A.P.	Canada	A.P.	Canada	A.P.	Canada	A.P.	Canada
1961	3.3	1.3	3.4	2.0	13.2	24.2	5.4	5.4	20.9	19.8	13.1	10.6	13.8	13.8	2.1	3.6	7.9	6.2
1962	3.1	1.3	3.3	1.9	13.4	24.4	5.7	5.5	20.5	20.1	12.5	10.3	13.4	13.9	2.2	3.7	8.1	6.1
1963	2.6	1.2	3.5	1.9	13.4	24.4	5.3	5.3	20.7	20.8	12.0	10.2	13.4	13.9	2.2	3.8	7.9	6.0
1964	2.8	1.2	3.5	1.8	13.4	24.3	5.1	5.4	21.2	21.2	11.8	10.0	13.3	13.9	2.2	3.8	7.7	5.9
1965	2.6	1.1	3.8	1.8	13.3	24.2	6.0	5.7	20.8	21.7	11.4	9.8	13.0	13.9	2.2	3.8	7.5	5.8
1966	2.4	1.1	3.6	1.8	13.2	24.2	6.6	5.7	21.1	22.1	11.4	9.6	13.1	13.9	2.2	3.8	7.0	5.7
1967	2.2	1.0	3.5	1.7	13.0	23.8	6.0	5.3	21.8	23.0	11.2	9.6	13.1	13.9	2.3	3.9	7.1	5.9
1968	2.0	0.9	3.3	1.7	13.4	23.4	5.6	5.2	22.8	24.0	10.7	9.2	13.5	14.1	2.4	4.0	7.3	5.8

Source: DBS, *Estimates of Employees by Province and Industry*

Changes in Industrial Structure

Evidence of structural change in the economy of the region over the 1961-68 period may be sought in the statistics of employees. There are, however, rather severe limitations imposed by the shortage of data. This information is restricted to hired employees and the data does not cover employment in agriculture or the fisheries, nor does the data make any reference to the wide-spread "multiple occupation" patterns. The totals available represent approximately 75 per cent of the total employed labour force and about 80 per cent of the total non-agricultural employed labour force in the Atlantic Provinces.

Table 6 indicates the distribution of employees by industry as a percentage of non-agricultural employment in the Atlantic region and Canada, 1961-68.

The Decade in Perspective

Personal income per person as a proportion of personal income per person in Canada, after ranging between 67.2 per cent and 68.9 per cent between 1960 and 1966, rose to 69.8 per cent in 1969.

It should, however, be pointed out that many of the gaps between the Atlantic Provinces and Canada as a whole did not change significantly. While there was some increase in regional income per person in relation to Canadian income per person, the absolute difference widened from \$519 in 1960 to \$880 in 1969. Both total population and labour force population advanced slowly in the region, by 7.8 per cent and 16.5 per cent respectively, compared with national increases of 17.9 per cent and 23.7 per cent. In 1969 the regional labour force participation rate was still considerably below the national rate, 48.1 per cent compared with 55.8 per cent in Canada, and the regional unemployment rate was 7.5 per cent compared with the national rate of 4.7 per cent.

In terms of the number of persons employed there was a movement out of the primary industries, with the exception of mining which held roughly to its relative position. In spite of the absolute increases which occurred in the number of manufacturing employees, the manufacturing industry as an employer of non-agricultural labour held roughly to its relative position. While the number of employees in manufacturing accounted for between 13 and 14 per cent of non-agricultural employment throughout the 1961-68 period in the region, in Canada the number of employees in manufacturing accounted for upward to one-quarter of non-agricultural employment.

The growth of the service industries has brought about a major structural change in both Canada and the Atlantic Provinces. The number of employees in trade, finance, insurance and real estate, community, business and personal services, and in public administration, accounted for 43.4 per cent of non-agricultural employment in Canada in 1961 and for 47.9 per cent in 1968. In the Atlantic Provinces employees in this group of service industries represented 44.7 per cent of non-agricultural employment in 1961 and 46 per cent in 1968. Thus the shift to these four service industry groups was not as pronounced in the region as in the country as a whole. However, the major difference in structure between the economy of the Atlantic Provinces and that of Canada as a whole is the significantly smaller role played by manufacturing in the region.

III The Next Decade

CHAPTER 6

A Framework for Regional Economic Development in the 1970's

The National Economy and the Regional Economy

A high rate of growth in the national economy is a necessary condition for the successful implementation of a regional development strategy. In the 1970's, the Canadian economy should be expanding rapidly. The Economic Council of Canada has estimated the potential rate of growth of Canadian G.N.P. at 5.5 per cent for the period 1969-1975 and 5 per cent for the period 1976-1980.¹ Gross National Product in 1980 (in 1969 dollars) on these assumptions would be \$140 million, as compared with \$78.5 million in 1969.

Throughout the 1970's, high rates of growth will be made possible by the rapid increase in the labour force. This derives from the exceptionally high birth rates from the late 1940's through the 1950's. To achieve the full employment of the Canadian labour force, the Economic Council estimates that from 1.3 to 1.4 million jobs will have to come into existence in the first half of the decade and 1.2 million in the second half. The total for the decade is approximately 2.5 million new jobs.

During the 1960's, there have been many opportunities for governments—particularly the federal government—to improve their knowledge of managing the Canadian economy. As a consequence, the national economy should be operating, for most of the decade, close to its potential. It seems realistic to assume that the economy of the Atlantic Provinces will be operating throughout the 1970's in the framework of high national growth rates. In brief, the necessary conditions for a successful regional development strategy should be met.

The fuller utilization of the resources of the economy of the Atlantic Provinces will, of course, make its contribution to national growth. This point has been emphasized by the Economic Council: "Similarly, regional disparities, which reflect, in

economic terms, unutilized or underutilized resources of human capital and relatively inefficient use of productive resources in low-income regions, also detract from good economic performance—not only for the region, but for the national economy".¹

A stronger regional economy will contribute to a stronger national economy in a number of ways. During the 1970's, Canadian manufacturing must become more specialized and it must expand its sales in foreign markets. Structural change in the economy of the Atlantic Provinces can assist in meeting this national challenge.

A larger, more diversified, more efficient manufacturing sector in the Atlantic Provinces must be seen as a contribution to the strengthening of the industrial base of the national economy. Accordingly, the development of manufacturing in the Atlantic Provinces in the 1970's must keep this objective constantly in view. The region is well located from the standpoint of markets external to Canada. Projects must be carefully evaluated to ensure their long-run viability.

The Broad Economic Trends²

A strategy of regional economic development must operate within the broad economic trends that are changing the economy over time. In all the highly industrialized countries, one phenomenon, in particular, embodies the major forces at work affecting economic activity and its location. This is the process of urbanization. The same process is at work in the economy of the Atlantic Provinces.

¹ Economic Council of Canada, 1970, p. 71.
Performance and Potential Mid-1950's to Mid-1970's,

² This section is based largely on an address "Atlantic Canada—the 1970's Opportunities and Challenges", by George E. McClure to the Annual Conference of the Atlantic Provinces Economic Council, Halifax, Nova Scotia, November 9, 1970.

¹ Economic Council of Canada, 1970, p. 66.
Performance and Potential Mid-1950's to Mid-1970's,

In this regard, it is useful to consider three things: first, the manifestations of the urbanization process; second, the forces, economic and social, which underlie this process and propel it along; and finally, some of the implications of the forces and of the urbanization process for economic development in the Atlantic region.

What lies behind the rapid and accelerating process of urbanization that is so marked in all regions of Canada? Why are a rapidly growing proportion of Canadians choosing to work and to live in metropolitan centres which cover a minuscule portion of the nation's total land area?

One of the major factors behind the rapid and accelerating process of urbanization is changes in the patterns of production. Over the past century, there have been dramatic shifts in the kinds of goods which society wants and in the inputs that are required to produce them efficiently. In brief, there have been major shifts in consumption patterns as more and more Canadians achieve both the income with which to enjoy the good things of life and the leisure in which to enjoy them. In addition, many of the refinements of twentieth century living are most easily acquired—and often best enjoyed—in proximity to a fairly large number of other people with similar tastes and demands.

One of the most obvious effects of industrialization and economic growth has been a steady decline in the extent to which people live directly off the resource industries. For many decades now, the proportion of Canadians employed in the primary industries based on our natural resources has been declining. Fifty years ago, about 50 per cent of the Canadian labour force was employed in these industries. Today, it is less than 10 per cent.

This is, in part, because the demand for the products of nearly all the primary industries has not kept pace with the long-term growth of income and consumption in Canada. As people become richer, they tend to spend their increased incomes

on consumption which cannot be satisfied by the products of farm or forest, sea or mine.

They tend to spend a larger and larger share of their income on cars and entertainment, on education for their children and medical care for their families—goods which are either the end products of a long and complicated fabrication process or which are not really tangible goods at all.

There is another very important force at work. Not only is the demand for the products of the sea and land-bound primary industries steadily decreasing in proportion to the total demands for goods and services in Canada, but the number of man-hours required to produce any given quantity of these primary products has been dropping sharply and persistently.

In sum, the products of our natural resource industries represent a shrinking proportion of the population's total consumption of goods and services, and every year fewer people are required to satisfy each unit of demand that remains.

With the relative decline of agriculture, fisheries, and the other extractive industries which together have formed the economic backbone of the rural and small-town life, it is not surprising that more and more people should move into the cities and their surrounding areas.

If the decline in the importance of primary industries has provided the push toward urban areas, the pull has come from the increasing importance of other industries. The fastest-growing segment of the economy as regards employment has been that vast complex of functions generally lumped together as the "service" or "tertiary" sector. This area of Canadian economic life includes trade and distribution activities, such business services as finance, advertising, research, and central office administration, and an enormous variety of personal services of which education, medical care, repair services, and entertainment represent only a part.

The reasons for the rapid growth of employment in these "service" industries reflect those already advanced for the decline of agriculture and the extractive industries. First, more and more income of the Canadian people is spent on services provided by these industries. Second, at the same time, these industries have so far been those least affected by technological progress; labour productivity has increased far less rapidly in the service industries than in either the primary sectors or manufacturing, so that the share of national employment — and regional employment — accounted for by the services sector, has risen even more than the share of output accounted for by its "products".

There are some other very important considerations. For example, the kinds of labour or skills required for the production of services are very different from those required in farming or mining.

The changed requirements have, in general, a strong urban bias. The need for physical strength and manual dexterity has been largely replaced by the need for a high level of literacy, for professional and technical knowledge, for clerical skills and for the kind of sophistication that allows ease and familiarity in the handling of complicated processes and large bodies of information. People with the kind of background, education and inclinations to encourage the development of these attributes are generally to be found in cities, and in greatest supply in the large cities which form the core of metropolitan areas.

What are the implications for metropolitan development of the manufacturing sector, the third major sector of the Canadian economy besides the resource and service sectors?

There are important forces at work to encourage the concentration of manufacturing activity in larger urban areas.

One most important factor is the steadily decreasing dependence of manufacturing on specific raw material inputs. Manufactured goods are

subjected to a constantly increasing amount of processing. The effect of all this processing is to reduce the role played by raw material costs in the total cost of the finished product.

A second factor is that as technology has reduced the dependence of manufacturing on raw materials, it has increased the dependence of one manufacturing operation on another. As the chain of fabrication and assembly has grown longer and more complex, the outputs of a number of manufacturing industries have increasingly become the inputs of others. Manufacturers of intermediate or producer goods must be close to industrial markets of sufficient size to support their large-scale operations—close, that is, to a large cluster of other manufacturing firms.

Since the Second World War, the most rapidly growing sectors of Canadian manufacturing have been transportation equipment, electrical products, machinery and metal products, chemicals and petroleum products. All are forms of manufacturing whose growth is heavily dependent on industrial complexes.

All in all, then, the forces pulling manufacturing employment into larger urban areas seem to be increasing rather than diminishing in strength.

So far, therefore, there have been a number of shifts in the pattern of production in Canada which help to explain why a growing proportion of the nation's jobs are found and, increasingly, will only be found in large urban areas. The trends which have prevailed throughout this century are expected to continue, so that a larger and larger share of our total population will live and work within metropolitan areas.

It is within the context of these kinds of social and economic forces at work regionally, nationally, and world-wide that we must survey the economy of the Atlantic Provinces and determine the appropriate development policies to deal with the resulting opportunities and challenges.

In broad terms, the environment of the region can be made more favourable for economic growth if current trends towards structural, geographical, technological and institutional changes are accelerated under conditions of strong aggregate demand for output and labour.

The implications must be considered in some detail. First, there is a need to accelerate and assist current trends towards structural change in the primary extractive and processing sectors. This involves the rationalization of primary activities, with a view to increasing productivity by a substantial amount more than the increase which is expected to occur without intervention. This would assist the primary sectors to achieve a greater degree of internal and external competitiveness, and thereby result in a more efficient and extensive use of the region's resource base.

The essence of this strategic element is the application of technology. A reorganization of units in the primary sectors under conditions of increased income and productivity and with greater capitalization, is a means of providing a set of circumstances more favourable for the introduction of modern technological and managerial practices.

For example, a program of land consolidation is not considered as a means of merely increasing the geographical size of farms, but is designed instead as part of a broader strategy of creating a physical base more appropriate to the use of the latest forms of scientific and managerial endeavour.

Second, there is a need for the development of increased employment opportunities in the manufacturing and service sectors. Much service employment, however, is dependent on the growth of manufacturing. This implies the need to raise the aggregate demand for labour in manufacturing, both to absorb surplus supply and to provide the means of rapid increases generally in output and productivity.

This concept recognizes the fact that the potential

demand for the products of the primary industries is limited; first, by the restricted nature of the resource base, both relatively and absolutely; and second, by the inverse relationship between market demand and rising income per capita.

As well, there is the urgent need to broaden the industrial base of the region, both to mitigate the effects of its current vulnerability, and as a prerequisite for future growth.

There is also a need not only for an increase in the quantity of employment opportunities, but an increase qualitatively as well. A rising level of manufacturing output will make possible the development of completely new techniques and entrepreneurial ability. All of these will broaden the base for future industrialization, and will provide the "pull" necessary to facilitate an orderly accommodation of the population to the process of industrial, occupational and geographical change.

From the foregoing analysis, it is clear that the accelerated growth of manufacturing has a key role to play in the process of regional economic growth in the 1970's. It has been noted that the manufacturing sector generally is becoming more complex, more interrelated, and needs the services of large urban centres. Industrialization promotes urbanization and the process contributes to the rapid expansion of employment in the service industries.

These, in summary, are the broad trends with which a regional development strategy must deal.

The Planning of Urbanization in the Atlantic Provinces

During the 1970's, the main thrust of regional development policies, then, must be to expand output and employment in manufacturing. We have seen that industrialization and urbanization are part of the same process. The present population distribution in the region is largely the result

of the past dominance of extractive operations in the regional economy. The more rapid growth of manufacturing must lead to a more urbanized region. The success of the development program proposed by the Atlantic Development Council should lead to over 70 per cent of the population living in urban centres by 1981. In 1961, only 50 per cent of the population lived in urban centres.

In the past, in other regions, unplanned urbanization has entailed a very high cost in terms of urban sprawl, congestion, and water and air pollution. In contrast, the process of urbanization that must take place in the region in the 1970's should be carefully planned. The Atlantic Development Council recommends that the urbanization of the region should be carefully planned around three types of population concentrations: the growth centre, the resource centre, and the service centre.

The Growth Centre

The growth centre approach to regional development is based on the proposition that growth, once started in certain selected urban centres, will spread to other parts of the region and thus promote the growth of the region as a whole. In other words, the objective of stimulating growth in selected centres is a means to a wider regional purpose--the raising of incomes throughout the region.

Typically, the growth centre should be a large metropolitan area, containing a core of manufacturing industries, together with a well-developed array of service industries, supplying both business and community services. The large urban setting is required to accommodate large-scale and sophisticated manufacturing industries and supporting service industries. Growth centres should be pleasant and interesting places to live and work; hence good social and cultural facilities and amenities are necessary, along with the services and facilities directly associated with industrial requirements.

There is no firm consensus on the minimum population size for a growth centre. Centres of less than 50,000 population would normally find it difficult to create the necessary conditions for large-scale industrial development. A population of 100,000 is probably a more realistic minimum.

The growth centre must have access to large tracts of land for development and expansion. Transportation and communication services--both internal and external--must be of a high calibre. The whole urban area, including its fringe districts, should be carefully planned to prevent congestion and to maintain and enhance the quality of the environment. This implies an effective and appropriate municipal organization for the co-ordinated planning of the area.

To be effective, growth centres must contain "propulsive" industries--industries which can give a major stimulus to income and employment in the region. These "propulsive" industries must be geared to rapidly expanding markets outside the region. Thus they play a key role in the process of regional growth, serving as a means by which growth impulses are transmitted from other regions and, in turn, transmitting growth impulses to other industries and locations within the region.

A propulsive industry should possess three characteristics. First, it should be relatively large in order to generate sufficient direct and indirect effects on the regional economy. Secondly, it should be in a relatively fast-growing area of economic activity. Finally, its interrelationships with other industries should be significant, so that a large number of induced effects will be transmitted.

Essentials of a Growth Centre Policy

A growth centre policy is needed to meet certain key objectives of Atlantic regional development. Since the expansion of manufacturing must provide the central thrust to the region's development in the 1970's, growth centre policy should

be oriented, primarily, to the expansion of the region's manufacturing base.

The implementation of a growth centre policy requires careful provision of physical facilities to prepare for manufacturing enterprises. Thus consideration should be given to the preparation of industrial sites, the construction of industrial parks or estates, and the provision of some advance factories in the designated growth centres.

Emphasis should be given to those projects specifically designed to serve industrial needs. For example, high priority should be assigned to providing an adequate supply of serviced industrial land. Experience in other countries has illustrated that the availability of a suitable site, with ready access to water, sewer and electrical facilities, is one of the most powerful inducements to industrial location. Moreover, factories can be built to general specifications in advance of need and adapted to meet particular requirements whenever the prospective tenant or purchaser appears.

Existing federal policies provide powerful tools for the implementation of a regional growth centre policy. Under the Government Organization Act, the Department of Regional Economic Expansion provides assistance with infrastructure required for Special Areas and financial incentives for commercial undertakings locating in these areas. Practically all the large urban centres of the region have been designated Special Areas. The Regional Development Incentives Act also applies to manufacturing firms locating in Special Areas.

In the chapter on Manufacturing, a number of changes in federal policies to make them more effective are suggested. There would be no point in repeating these in this section of the Strategy. There is, however, one aspect of a growth centre policy that does deserve emphasis.

It will not be enough merely to expand the infrastructure and improve the services in the region's large urban centres and to offer financial

incentives to industry locating in them. A more *positive* approach is needed.

Effective industrial intelligence must delineate the industries that would appear to be viable in the long run in the major growth centres of the region. A carefully prepared program of industrial promotion must endeavour to interest industrialists in locating in the region. Industrial intelligence and promotion of a high order is essential for the successful implementation of a growth centre policy.

At the present time, a comprehensive growth centre policy has been developed for Saint John, New Brunswick. The future development of the Saint John area is being planned in relation to a carefully planned group of "propulsive" metal-working industries.

To a considerable degree, the stimulating effects emanating from a growth centre will operate more or less automatically. But steps should also be taken to assist this process, to ensure that the benefits of faster growth are felt throughout the regional economy. The task, in this regard, will be to increase the extent of the complementarity between the growth centres and the rest of the region to the greatest degree possible, and, in particular, to develop economic functions in other towns and cities which can support the growth centres and become the means whereby growth impulses can be transmitted from the growth centres to other centres and areas within the region.

The Resource Centre

The resource centre is an economically efficient agglomeration of processing industries and a range of supporting services, all largely dependent upon similar inputs. They may be designated by the type of resource they process—forest product centres, fish-processing centres, agricultural-processing centres, mineral products centres.

The concentration of similar and interlinked

processing units in the same area should increase, substantially, their efficiency through the provision of infrastructure and supporting services of a scale and variety not feasible in a number of scattered locations.

The Service Centre

A service centre's primary function is to supply a range of services to its area. Growth centres, resource centres, and service centres are not mutually exclusive categories. Growth centres and resource centres will also provide modern services to their areas. Indeed, the vast majority of services required by the people of the region will be furnished by these two main types of population concentration.

There will be, however, some areas relatively remote from growth centres and resource centres. In these instances, and they will be mainly in Newfoundland, special service centres should be developed. They must be strategically located within the area they are designed to assist. In a fully developed centre, the range of services, both general and specialized, would include: education and training, transportation and communication, health, recreation, accounting, legal, engineering, repair and maintenance, public offices and departments, along with a variety of retail outlets. There will, of course, be several types of service centres with the smaller ones offering a more limited range of facilities.

Summary

A planned approach to urbanization will require a very considerable degree of co-ordination between the public and private sectors, and between the three levels of government. The benefits of such a policy must not be curtailed by the designation of too many centres, or centres that are too small.

It is not meant to suggest that the development of the region be confined to centres designated

within these three categories. Rather, the suggestion is that the approach be used to influence the location of significant new activities and, in the case of service centres, to guide the provision of the more specialized public facilities and services.

The growth centre concept is a key element in the promotion of an expanding secondary manufacturing sector. The resource centre is a means towards the rationalization of the primary sector, in particular agriculture and the fishing industry, and the expansion of primary manufacturing. The service centre ensures that essential modern services are available to all citizens of the Atlantic Provinces.

Conclusion

During the 1970's, the accelerated growth of the economy of the Atlantic Provinces must take place within the following framework:

- (1) The national economy must be operating at or near its potential.
- (2) The manufacturing sector must provide over the period about 50,000 net new jobs. A substantial portion of this growth must come through the development of groups of related industries. The growth of manufacturing is required to open up jobs to those displaced by the rationalization of the primary industries and to provide stimulus to the growth of service industries.
- (3) The urbanization of the region must be carefully planned so as to preserve the amenities of the region and to provide impetus to the growth process.

CHAPTER 7

The Economy in the 1970's Projected Trends and Targets for Development

Projections

To provide a basis for establishing the magnitude of the changes which will be required in the 1970's, it is necessary first to project the size, age and urban/rural distribution of the population and labour force during the next decade. It is then possible to set forth targets for employment and investment required to meet the goals and objectives established for the strategy.

The analysis in this document is focused on factor inputs rather than output and income. In the absence of official estimates of Gross Regional Product comparable to the data on Gross National Product it was not considered practical to undertake analysis and projections in terms of output.

Population

The three main variables which will influence the size of the population in the Atlantic Provinces over the decade are the birth rate, the death rate, and rate of net migration. Of these, the rate of net migration is the most difficult to project. Net migration of population has been a characteristic of the Atlantic region for a long time. Policy should be designed to change conditions so that the flow of out-migration is significantly reduced. A larger population within the region will assist in building up local markets, and help to create conditions in which the economies of scale and agglomeration are more easily attainable; the region's economic life should also be quickened by the retention of more of its young and well-educated people. A major development effort, by increasing employment opportunities, will reduce the outflow of the young and better trained and should accelerate the inflow of individuals possessing special skills. It is assumed, however, that net out-migration will occur during the next decade, although at a reduced rate.

The labour force will grow rapidly during the next decade due to the "baby boom" of the war and postwar years. Simultaneously, it is likely

that the extractive industries will continue to release labour, and that more and more females will enter the labour force. Even given a major development effort it is likely that the demand for jobs in the region will exceed the supply, and this will tend to induce out-migration.

On balance, it is assumed that the birth rate will continue to decline, but at a decreasing rate.

Deaths per 1,000 of the population are likely to decline slightly as a result of medical advances, better living conditions, and more adequate housing. However, this decline will likely be offset by the relatively strong growth of the older age groups. Thus it is assumed that death rates will remain approximately constant throughout the next decade.

Population projections for Newfoundland are based on the following: birth rates of 25.2 per thousand for 1970 and 20.0 for 1981; a death rate of 6.0 throughout the period and a net migration rate of 4.2.

Population projections for Prince Edward Island are based on the following: birth rates of 17.2 per thousand in 1970, declining to 16.0 in 1981; a death rate of 9.2 throughout the period and a net migration rate of 3.6.

Population projections for Nova Scotia are based on the following: birth rates of 18.0 per thousand in 1970, declining to 17.1 in 1981; a death rate of 8.8 and a net migration rate of 2.1.

Population projections in New Brunswick are based on the following: birth rates of 19.0 per thousand in 1970, declining to 18.0 in 1981; a death rate of 8.0 throughout the period and a net migration rate of 2.1.

The resulting population projections for the Atlantic Provinces are shown in Table 7.

Table 7*Population Projections, Atlantic Provinces 1971, 1976 and 1981*

	Nfld.	P.E.I.	N.S.	N.B.	Atlantic Provinces
	(thousands)				
1971	525.4	110.8	773.9	636.1	2,046.2
1976	561.2	112.8	800.4	663.8	2,138.2
1981	592.5	114.8	826.3	691.1	2,224.7

1. Age and Sex Distribution

Population projections have been broken down by age and sex groups. The projections are based on slowly declining birth rates and low levels of net migration. The sex and age group distribution is based on extrapolation from the 1966 census. The resulting expected population structure for the 1971-1981 period, using the years, 1971, 1976 and 1981 for the actual projections is illustrated in Table 8.

2. Urban/Rural Distribution

In the Atlantic Provinces in 1961, 50 per cent of the 1,897,400 residents lived in urban areas. By 1966, 54 per cent of the region's 1,974,700 residents lived in urban areas.¹

Between 1961 and 1966 the percentage change of urban population relative to total population for Newfoundland was 3 per cent, for Prince Edward Island 5 per cent and for Nova Scotia and New Brunswick 4 per cent. Given a successful development effort, it may be assumed that the percentage change of urban population relative to total population will increase to six per cent in all four provinces for each five year period. Therefore, the percentage of urban population to total population in the region is projected to increase to 60 per cent by 1971, 66 per cent by 1976 and 72 per cent by 1981. The estimates of urban and non-urban population are set out in Table 9 and Chart 3.

Labour Force

The sex and age group distribution of the population was used to obtain labour force projections. It should be remembered that the population projections are based on slowly declining birth rates and on significantly reduced rates of out-migration, and that if these basic assumptions are changed in any way not only are the population projections changed but also the labour force projections.

¹ Between 1961 and 1966 the percentage of people living in urban areas increased from 51 to 54 per cent in Newfoundland, from 32 to 37 per cent in Prince Edward Island, from 54 to 58 per cent in Nova Scotia and from 47 to 51 per cent in New Brunswick.

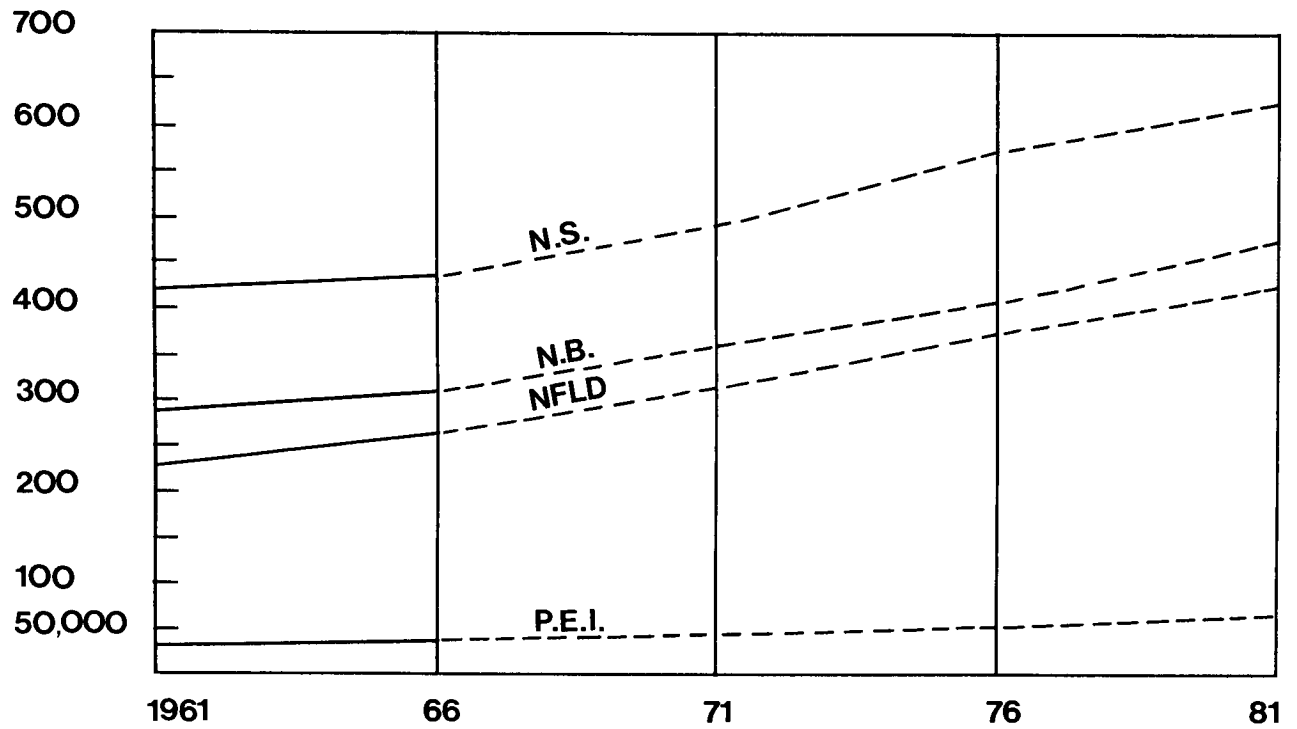
Table 8*Age and Sex Distribution, Population Projections, Atlantic Provinces, 1971, 1976, 1981*

Year	Age 0-4	Age 5-14	Age 15-24			Age 25-64			Age 65+	Total All Ages		Total
			Male	Female	Total	Male	Female	Total		Male	Female	
(thousands)												
Newfoundland												
1971	68.3	131.8	53.5	52.5	106.0	98.1	90.5	188.6	30.9	268.4	257.0	525.4
1976	74.6	126.3	59.2	58.1	117.3	108.6	100.2	208.8	34.2	286.7	274.5	561.2
1981	78.8	129.0	59.8	58.6	118.4	119.2	110.0	229.2	37.3	302.7	289.8	592.5
Prince Edward Island												
1971	11.7	24.3	10.1	10.4	20.5	21.2	20.7	41.9	12.4	56.2	54.6	110.8
1976	11.6	21.4	10.7	11.0	21.7	22.6	22.1	44.7	13.4	57.2	55.6	112.8
1981	11.9	21.0	10.3	10.6	20.9	23.3	22.7	46.0	14.9	58.2	56.6	114.8
Nova Scotia												
1971	79.6	161.7	73.8	70.1	143.9	159.7	158.4	318.1	70.4	389.5	384.4	773.9
1976	81.6	148.1	79.3	75.2	154.5	170.8	169.4	340.2	76.0	402.8	397.6	800.4
1981	84.3	144.6	77.6	73.6	151.2	182.3	181.0	363.6	82.6	415.9	410.4	826.3
New Brunswick												
1971	66.8	145.0	65.1	59.6	124.7	122.6	123.6	246.2	53.4	319.8	316.3	636.1
1976	69.0	134.8	70.7	64.7	135.4	132.6	133.6	266.2	58.4	333.8	330.0	663.8
1981	71.2	132.0	70.3	64.4	134.7	143.2	144.3	287.5	65.7	347.5	343.6	691.1
Atlantic Provinces												
1971	226.5	462.8	202.5	192.6	395.1	401.6	393.2	794.8	167.1	1,033.9	1,012.3	2,046.2
1976	236.8	430.6	219.9	209.0	428.9	434.6	425.3	859.9	182.0	1,080.5	1,057.7	2,138.2
1981	246.2	426.6	218.0	207.2	425.2	468.0	458.0	926.3	200.5	1,124.3	1,100.4	2,224.7

Table 9*Estimated Urban and Non-Urban Population, Atlantic Provinces, 1971, 1976 and 1981*

	Urban		Non-Urban	
	thousands	per cent	thousands	per cent
Newfoundland				
1971	315.8	60	209.6	40
1976	371.0	66	190.2	34
1981	427.2	72	165.3	28
Prince Edward Island				
1971	47.2	42	63.6	58
1976	54.8	48	58.0	52
1981	62.7	54	52.1	46
Nova Scotia				
1971	496.1	64	277.8	36
1976	561.1	70	239.3	30
1981	628.8	76	197.5	24
New Brunswick				
1971	360.0	57	276.1	43
1976	415.5	63	248.3	37
1981	474.1	69	217.0	31
Atlantic Provinces				
1971	1,219.1	60	827.1	40
1976	1,402.4	66	735.8	34
1981	1,592.8	72	631.9	28

CHART 3
URBAN POPULATION, ATLANTIC PROVINCES,
ACTUAL AND PROJECTED, 1961-1981



The labour force is here defined as that part of the total population 15 years of age and over which is working or looking for work. Thus to obtain projections of the labour force it is necessary to apply an appropriate participation rate to the labour force population. The starting point for these projections was based on the participation rates of *Provincial Differences in Labour Force Participation* by S. Ostry, a 1961 Census Monograph published by the Dominion Bureau of Statistics. The rates thus obtained are as follows:

	<i>Male</i>	<i>Female</i>
Newfoundland	65.3	18.6
Prince Edward Island	76.5	24.9
Nova Scotia	74.0	24.8
New Brunswick	71.6	25.1
Canada	78.1	29.7

With a successful development effort and accelerated urbanization it is assumed that the provincial rates for each of the Atlantic Provinces will converge toward the national average rate. These converging rates are assumed to be as follows:

	<i>Male</i>			<i>Female</i>			
	<i>1971</i>	<i>1976</i>	<i>1981</i>	<i>1971</i>	<i>1976</i>	<i>1981</i>	
Newfoundland	68.0	70.0	72.0	Newfoundland	24.8	27.8	31.0
Prince Edward Island	76.7	77.0	77.0	Prince Edward Island	30.0	32.5	35.0
Nova Scotia	74.5	75.5	76.0	Nova Scotia	30.0	32.5	35.0
New Brunswick	72.5	73.5	74.0	New Brunswick	30.0	32.5	35.0

Table 10 shows the probable labour force for 1971, 1976 and 1981. It should be noted that the increase in the labour force during the period 1971 to 1976 is 12.4 per cent, while the increase from

1976 to 1981 is projected to be 9 per cent. Therefore, the development effort must have a greater impact in the initial period if those people entering the labour force are to find employment.

Table 10

Probable Labour Force, Atlantic Provinces, 1971, 1976 and 1981

	Male	Female	Total
	(thousands)		
Newfoundland			
1971	112.9	39.6	152.5
1976	128.6	49.1	177.7
1981	141.4	58.4	199.8
Prince Edward Island			
1971	28.5	11.3	39.8
1976	30.4	13.1	43.5
1981	31.2	14.5	45.7
Nova Scotia			
1971	198.4	79.8	278.2
1976	215.5	92.7	308.2
1981	226.7	104.6	331.3
New Brunswick			
1971	154.1	63.5	217.6
1976	169.4	74.6	244.0
1981	180.6	85.3	265.9
Atlantic Provinces			
1971	493.9	194.2	688.1
1976	543.9	229.5	773.4
1981	579.9	262.8	842.7

Targets for Employment and Investment

The Atlantic region has historically suffered a higher rate of unemployment than have other areas of the country. In this strategy we adopt higher employment levels as a prime objective of the development effort. It is necessary then to determine the number of new employment opportunities which must be created. Second, an estimate must be made of the total amount of capital investment necessary to provide this amount of employment. Given this information we can then see the path that the economy of the region must follow.

Table 11 gives the historic unemployment pattern in the Atlantic Provinces and Canada for 1965-1969, the projected level of unemployment in 1971 in the Atlantic Provinces, and the target levels in 1976 and 1981 in the Atlantic Provinces.

Employment Targets

In Table 12 the employment targets are applied to the labour force projections of Table 10 to show the total amount of employment which must be created in each of the bench mark years (Chart 4). It should be noted that the required employment must increase more quickly than the labour force if the employment targets are to be achieved.

Investment Targets

The total amount of investment which will be required in the Atlantic region in the 1970's may be considered under three main categories. These are the direct and indirect investment associated with new job creation (indirect investment refers to infrastructure requirements such as transportation facilities and water supplies), the investment required in housing together with related infrastructure, and finally the amount required for repair and replacement of existing capital goods of all categories.

Estimates of the cost per job to be created were arrived at after reviewing investment time series of the Dominion Bureau of Statistics, Atlantic Development Board studies of capital stock per employee, and various area and industrial studies. The latter are in most cases unpublished and confidential, and suppliers of these studies requested that quotes not be made nor references given. Such data provide a basis, although inadequate, for estimates of cost of job creation in manufacturing. Information on the investment cost per job in the extractive primary sector is even less adequate, and for the cost of service sector jobs it is negligible. It also has to be recognized that differences in technology, sophistication and capital intensity are found within any given category. Information on the infrastructure investment associated with the direct primary investment in job creation is also very scarce. Despite the deficiencies of data, some indication of the order of investment requirements is essential and has been attempted.

Although more jobs must be created during 1971-76 than the later period, it is assumed that the cost of job creation will be slightly lower during 1971-76. It is assumed that during the second period greater stress will be placed on productivity increases which require a greater degree of capital intensity, as well as on the more capital-intensive types of industry.

Housing represents one of the major components of investment. However, information on housing costs is relatively scarce, especially in regard to associated investment for community and social infrastructure. Also, there is little information at this time as to the specific mix of housing units which would be required.

The final major component of investment, repair and replacement investment of all types, was estimated primarily on the basis of the normal relationship between this expenditure and total investment.

Table 11*Unemployment Percentages, Actual and Targets, Atlantic Provinces, Region and Canada*

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic Region	Canada
1965	11.3	5.6	5.4	7.5	7.4	3.9
1966	7.9	5.6	5.2	6.9	6.4	3.6
1967	8.4	5.6	5.6	6.9	6.6	4.1
1968	9.7	5.6	5.9	7.2	7.3	4.8
1969	10.3	5.3	5.4	8.5	7.5	4.7
1971*	10.0	5.3	5.4	8.0	7.2	—
1976**	8.0	5.0	4.5	5.0	5.5	—
1981**	6.0	4.0	3.5	4.0	4.3	—

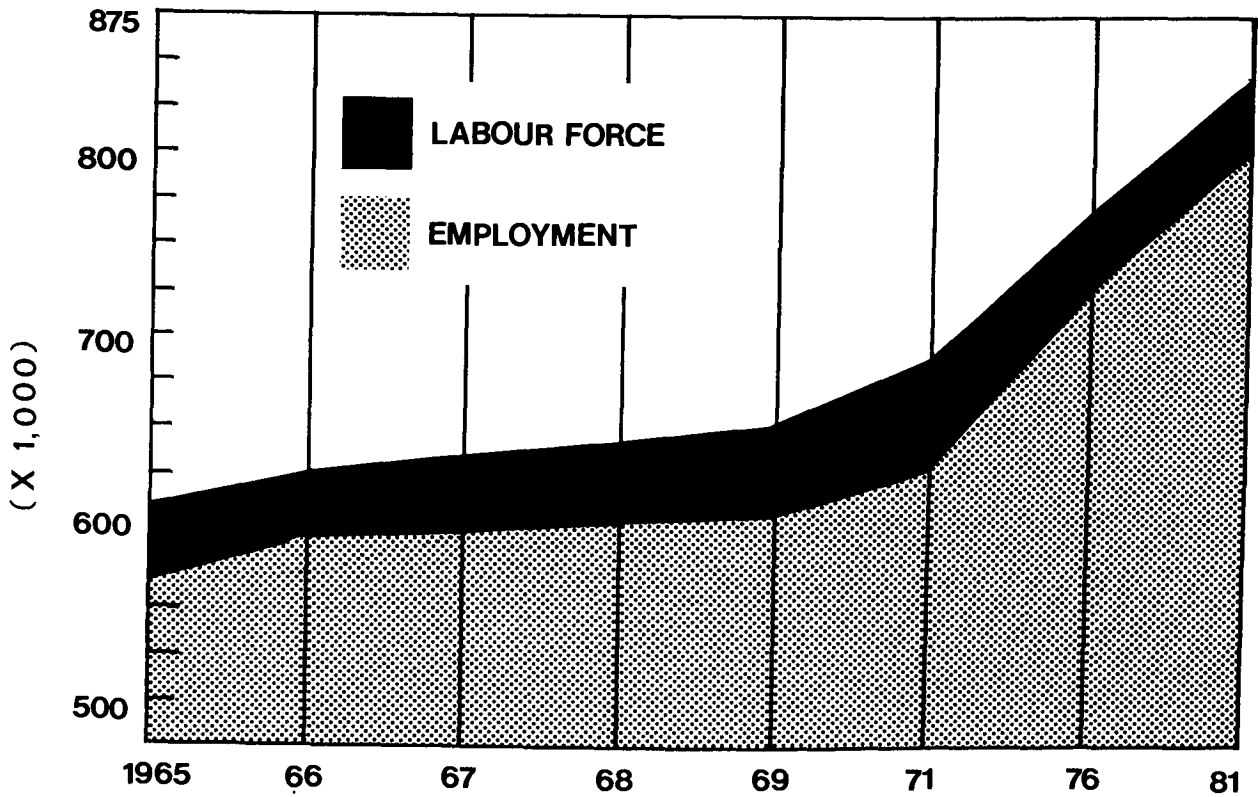
* Estimated levels based on recent high levels of unemployment

** Target levels

Table 12*Probable Labour Force Size and Employment Targets, Atlantic Provinces, 1971, 1976 and 1981*

	1971	1976	Change 1971-76	1981	Change 1976-81
(Thousands)					
Newfoundland					
Labour Force	152.5	177.7	25.2	199.8	22.1
Employment	137.3	163.5	26.2	187.8	24.3
Prince Edward Island					
Labour Force	39.8	43.5	3.7	45.7	2.2
Employment	37.7	41.3	3.6	43.9	2.6
Nova Scotia					
Labour Force	278.2	308.2	30.0	331.3	23.1
Employment	263.2	294.4	31.2	319.7	25.3
New Brunswick					
Labour Force	217.6	244.0	26.4	265.9	21.9
Employment	200.2	231.8	31.6	255.3	23.5
Atlantic Provinces					
Labour Force	688.1	773.4	85.3	842.7	69.3
Employment	638.4	731.0	92.6	806.7	75.7
% Unemployment	7.2%	5.5%		4.3%	
		(5.0-6.0)		(4.0-4.5)	

CHART 4
LABOUR FORCE AND TOTAL EMPLOYMENT,
ATLANTIC PROVINCES, ACTUAL AND PROJECTED, 1965-1981



On this basis, the Council estimates a total capital investment requirement for the first period of approximately \$11 billion in 1970 prices. During the period 1976-81 total capital investment, in terms of 1970 prices, should reach \$14 billion. By the 1980's, investment per person (again in 1970 prices) should exceed \$1,500.

In 1969 actual housing starts in the Atlantic region were estimated at 13,780 units. On the basis of the expected change in population, the probable increased degree of urbanization, and assumptions about the amount of urban renewal necessary to improve housing standards, the Council is of the opinion that something in the order of 20,000 new units per year will be required during the coming decade.

For 1970, total investment is expected to amount to about \$1.9 billion in the Atlantic Provinces. Therefore the capital requirements over the next decade—approximately \$25 billion in 1970 prices—are not excessive in terms of current levels. However, the Council believes that investment *priorities* must be re-examined. A greater proportion of investment should be directed into housing and direct job creation. Much of the investment that occurred during the 1960's was in highly capital

intensive projects with relatively low job creating potential.

It must be remembered that these investment requirements are developed from a particular set of assumptions regarding rates of population growth, net migration, urbanization and employment targets. They are not to be taken either as a firm forecast of what will happen, or as a precise statement of what must happen. Rather, they should be regarded as providing indications of the approximate investment to be required, given the basic assumptions and given the net job creation target. Moreover, it must again be stressed that even if the other variables were fixed, we would still be confronted with the fact that neither the basic data nor the technique of analysis would permit more than statements of the approximate amount of investment required.

It should also be noted that the above outlined investment requirements are concerned directly and immediately with job creation and urbanization. They do not make any allowance for extraordinary large scale projects which might be introduced such as, for example, a causeway to Prince Edward Island, or tidal power development.

IV The Sectors and Economic Development

CHAPTER 8

The Primary Industries

The primary industries have traditionally played a dominant role in the economy of the Atlantic Provinces. A high proportion of manufacturing continues to be based on primary resources. These primary industries or, more precisely, farming, fishing, forestry, and some aspects of mining, in common with similar activities elsewhere, are faced with problems of adjustment to changing technological conditions, rising productivity, a decreasing labour demand, and a lessening in the overall importance of resource exploitation to economic development. The successful adjustment to these conditions will be paramount for the health of the primary industries in the decade ahead.

Agriculture

The characteristics of agriculture in advanced industrialized nations are increasing output and productivity, but a declining labour demand and a falling share of total national production. These same conditions have characterized agriculture in the Atlantic Provinces, and they will continue to do so in the foreseeable future.

Agriculture accounted in 1961 for 6.0 per cent of the net value of commodity production in the Atlantic region. In 1967 the figure was 4.9 per cent. Among the four provinces, the agricultural share of output is greatest in Prince Edward Island at 28.2 per cent. It is of little significance in the province of Newfoundland and Labrador.

As elsewhere in Canada, farms are becoming fewer but larger. From 1961 to 1966, the number of farms declined 2.5 per cent in Newfoundland, 13.3 per cent in Prince Edward Island, 23.1 per cent in Nova Scotia, and 26.1 per cent in New Brunswick. Over the same period, average farm size increased, although a portion of the vacated agricultural lands was taken completely out of production.

The farm labour force has declined substantially. The total for the Atlantic region dropped from

about 49,000 in 1956 to 26,000 in 1969, and from 10.0 per cent to 4.3 per cent of the total employed labour force. The drop was particularly rapid after 1961, slightly over 50 per cent between 1961 and 1969. The decline in the farm labour force occurred partly through retirements, as well as by shifts to other occupations.

A realistic approach to the place of agriculture in the economy of the Atlantic region is sometimes clouded by its traditional and historic role. One study lists among the traditions of Maritime agriculture those of settling on land without regard to its suitability, and of promoting agriculture when other industries failed, under the mistaken assumption that agriculture could always be profitable.¹

The present problems of agriculture in the Atlantic region stem partly from inherent factors, including the nature of the resource base, and partly from a failure to adapt in the past to technological change. Agriculture has been confronted in recent decades with what amounts to a technological revolution. The adoption of the new technology has, however, been substantially delayed in the Maritimes because of the region's relative isolation from competing agricultural areas, the lack of alternative employment opportunities, problems of lack of finances, and the small size of farms and the nature of terrain (both of which have limited some aspects of mechanization). The delay in adjust-

¹ D. W. Carr, *The Competitive Position of Maritime Agriculture*, Atlantic Development Board, Background Study No. 2, Ottawa, 1969. This study is used to a large extent as the basis for the discussion of agriculture in the present report. The Province of Newfoundland and Labrador was not considered in the Carr study as it was, at the time, under study for the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador. The report of the Commission recommended that the fostering of low-cost food supplies for the population of the province should be the primary target for the agricultural industry in Newfoundland. It recommended that stress be placed on services and programs which would promote more efficient farm units, greater volume and improved quality production and a better-paid agricultural work force.

ment to the post-war technological environment has tended to undermine the relative position of Maritime agriculture. Such technology has, however, in recent years been introduced to the larger operations.

It is increasingly being realized that if Maritime farming is to be maintained successfully, it must be as profitable and efficient as farming elsewhere, and farm employment must be as remunerative and acceptable as any alternative occupation. The region should turn its attention to those lines of production in which it possesses a comparative advantage. The physical resources of the Maritime Provinces limit the range of profitable agricultural activities in the region. Maritime agriculture also suffers from locational disadvantages in terms of lack of large population centres and deficiencies in the supply of various kinds of services.

The markets with the greatest potential are those in which Maritime farmers have a competitive advantage. The results of a study of the profitability of various farm enterprises, carried out for the Atlantic Development Board, showed that much of the traditional small-scale farming in the Maritime Provinces has little prospect of continued profitability; but larger enterprises, in the appropriate lines, indicated much better prospects. The enterprises with the greatest profitability and potential are likely to be relatively large-scale, specialized operations producing potatoes, tree fruits, hogs, fluid milk, poultry products and greenhouse products.¹

Agriculture will have an important, if relatively smaller, place than in the past in the Atlantic region if it specializes in lines of production where it has a comparative advantage, and if these products are produced and marketed with the efficiency that present-day conditions demand.

¹ Atlantic Development Board, *Maritime Farm Enterprise Analysis, Appendix, Background Study No. 2A* Ottawa, 1969.

There will be serious obstacles to the process of adjustment and difficult problems of transition for many of the people and enterprises involved. The problem of the rationalization of agriculture will require, and will be greatly facilitated by, an adequate increase in job opportunities in other lines of endeavour, to assist both the mobility of rural people and the consolidation of farms into more viable units. There will remain, however, some who, because of age or for some other reason, are unable to obtain or accept non-farm employment. Special assistance will be needed to ease their problems.

The fact remains that the need is to develop an efficient farm sector that would yield higher incomes to fewer participants. Governments, both federal and provincial, will need to maintain clear lines of direction if agriculture in the region is to attain a sound footing. This should involve a realistic appraisal of the market potential for each agricultural product, and a delineation of areas of land suitable for the various enterprises in which the region enjoys a comparative advantage. Coupled with this must be appropriate provisions for adequate farm credit to achieve the required new structure and types of organization. Thirdly, policies and services must be developed to accommodate and complement this structure. This refers, particularly, to marketing services and to transportation facilities and services.

The consolidation, up-grading and general expansion of the agricultural industry is one of the key elements in the Prince Edward Island Development Plan. Prince Edward Island will be expected to expand its sales of agricultural products within the region as well as in other areas. This is a fact which must be taken into consideration in the plans of the other provinces of the region.

Fisheries

The fishing industry employs a significant portion of the labour force of the region. It will continue

to play an important role in the economic base of the four provinces. However, major changes in the structure and organization of the industry must occur if the industry is to be viable and competitive. Much of the employment now provided in the industry is part-time and of low productivity, reflected in low income levels. A significantly smaller but far better-trained and better-paid labour force will be the likely result of a successful restructuring of the fishing industry in the coming decade.

An important feature of the fishing industry in the region is the predominance of casual and part-time fishermen. Full-time is defined as ten months and over each year; in Newfoundland, full-time fishermen are defined as those who spend more time fishing during the year than at any type of paid employment. In 1968, full-time fishermen accounted for about 60 per cent of the number employed in the primary fisheries in Newfoundland,¹ 29.7 per cent in Nova Scotia, and 7.3 per cent in New Brunswick. In Prince Edward Island, the employment in the primary fishery was almost entirely on a part-time or occasional basis.

Employment in the primary fisheries in the Atlantic Provinces, classified as full-time, part-time and occasional for the period 1962-68, is shown in Table 13.

There has been a downward trend in employment, but no marked exodus from the industry. In Newfoundland, in particular, there would appear to be some tendency for people to move into or out of the primary fishing industry in response to changes in the demand for labour in other sectors of the economy.

Productivity is influenced by a number of factors, including the quantity and quality of capital employed (the fishery has been becoming more capi-

tal-intensive), the number of full-time fishermen relative to the number of part-time and occasional fishermen, and the mix of the fish catch where the proportion of low-value species (such as cod) and of high-value species (such as lobster) vary considerably. The level of productivity will also be influenced by the relative proportions of fishermen who are engaged in the inshore and offshore fisheries. Productivity, in general, is substantially higher in the offshore than in the inshore fishery.

The quantity and value of the inshore catch landed annually by fishermen in the Atlantic region is not available from official statistical series. Approximations can be obtained. The report *Fisheries in the Atlantic Provinces*¹ estimated the average value of catch per inshore fisherman as being in the order of \$1,930 in the Maritimes and \$800 per season in Newfoundland. The catch in the Maritimes contains a higher proportion of higher-priced species than in Newfoundland.

Policies with respect to the fishing industry must reflect an assessment of the future market potential, the competitiveness—present and prospective—of the industry in its markets, and the increasing pressure on the resource. It is essential, in formulating policies to stimulate growth and development in the regional fishing industry, to distinguish between the problems facing the inshore industry and those facing the offshore industry.

The offshore fishery of the Atlantic region possesses a high potential for growth, development, expansion and viability. The Atlantic region should be able to capture a larger share of the growing United States market, provided the competitive edge over European rivals can be maintained. This may entail some shift in the geographic areas of fishing effort and will require a greater concentration of processing facilities in the most strategic locations. Where additional capacity is warranted,

¹ The proportion of full-time fishermen in Newfoundland would be much smaller if the basis of statistical collection were the same as in the Maritimes.

¹ Atlantic Development Board, *Fisheries in the Atlantic Provinces*, Background Study No. 3, Ottawa, 1969, p. 24.

Table 13*Employment in Primary Fisheries, Atlantic Provinces 1962-1968*

Year	Total	Full-Time		Part-Time		Occasional	
		Number	per cent of total	Number	Per cent of total	Number	Per cent of total
1962	42,068	17,060	40.6	13,171	31.3	11,837	28.1
1963	44,223	18,818	42.6	12,919	29.2	12,486	28.2
1964	45,217	20,273	44.8	12,816	28.3	12,128	26.8
1965	45,557	19,117	42.0	13,714	30.1	12,726	27.9
1966	42,395	17,181	40.5	12,152	28.7	13,062	30.8
1967	41,460	16,330	39.4	12,154	29.3	12,976	31.3
1968	41,706	15,708	37.7	12,033	28.8	13,965	33.5

Source: APEC, *Atlantic Provinces Fishery*, Pamphlet No. 12, 1968; and DBS, *Fisheries Statistics of Canada*, 1968.

it should be installed in a few ports with large fish-processing plants and docking facilities, and with a good prospect of external economies in vessel repair facilities and other fisheries-oriented service facilities. Maintaining and improving the industry's competitive position will involve the continuing substitution of capital for labour and the increasing application of new technology in all aspects of catching, handling and processing.

The adequacy of stocks is a matter of increasing concern for a number of species, and in the long run the Canadian industry could face serious problems respecting the supply of fish. In December 1970, the Minister of Fisheries and Forestry, the Honourable Jack Davis, announced the proclamation of "fisheries closing lines" designating major areas on both the east and west coasts as exclusive Canadian fisheries zones. On the Atlantic coast, the areas affected are the Gulf of St. Lawrence and the Bay of Fundy. Measures to protect the resource should be pursued and efforts continued to influence other governments having an interest in fishing in international waters to adopt policies designed to maintain an optimum balance between the stock and the rate of catch.

Productivity and income, generally, remain low in

the inshore fishery, and unemployment and underemployment are high. If adequate income levels are to be achieved, the number of fishermen will likely have to decrease substantially; alternative sources of employment will have to be created for those displaced from fishing. This implies, of course, a successful development effort in the Atlantic region.

To make the Atlantic inshore fishery a viable industry, it will be necessary to improve the functioning of the industry by the continued introduction of technological improvements. Attempts should be made to contain the numbers entering the inshore fishery, especially those pressing on a fixed resource, and to discourage overcapitalization. The concept that the inshore fishery is a residual rural subsistence sector, capable of absorbing unemployment and underemployment, should be replaced by the concept that it is an industry which can be developed to a viable level for fishermen with appropriate skills and development orientation. Centralized harbour facilities for small boats used in inshore operations should be developed in carefully selected communities; decentralization in the creation of port facilities should be discouraged.

A recently completed study has identified a number of problems with respect to Atlantic coast groundfish marketing in the United States.¹ The report emphasizes the intensification of international competition in selling groundfish (particularly cod) to the United States market among the traditional suppliers, a more organized approach to selling methods on the part of the Scandinavian suppliers, a tendency of Atlantic coast exporters to concentrate their sales to a few traditional buyers, too high a concentration of sales in season, inadequate knowledge of distribution links outside main sales areas, too high a concentration on traditional packs, relatively weak quality control efforts, lack of adequate research and development in new products, especially convenience products, as well as inadequacies in marketing support services, e.g. inadequate information on markets and marketing and undercapitalized processing and exporting operations.

Increasing attention in fisheries research and experimentation should be given to the new techniques of fish farming and to the non-fish resources of the ocean and their potential use.

Finally, mention should be made of the Canadian Saltfish Corporation established in 1970 with powers "to regulate interprovincial and export trade in salt fish in order to improve the earnings of primary producers of cured cod fish". Under legislation by participating provinces, the Corporation is given exclusive rights to buy saltfish, as well as fresh fish to be used for salting. The buying and selling operations of this non-profit Crown Corporation are expected to bring a measure of stability and certainty to this segment of the fishery, provided there is wider geographic participation in the operations of this Corporation.²

¹ Department of Regional Economic Expansion, Joshua John, *Atlantic Coast Groundfish Marketing*, Ottawa, June, 1970.

² *Statutes of Canada*, 1969-70, Chap. 32.

Forestry¹

Primary forestry consists of two major groups of activities—logging, and such forestry services as patrol and reforestation. For the region as a whole, the number of employees in the industry has dropped from 15.0 thousand in 1961 to 11.2 thousand in 1968, a drop of 25.3 per cent. It can be expected that the number of persons employed in primary forestry will continue to decline, due partly to technological changes and increasing productivity in woods operations.

It is difficult to make projections of market demand for the various forest products. Apart from possible competition from synthetic output, the primary resources output and markets in general, and wood and lumber in particular, are influenced by such factors as general economic conditions, transportation costs and fibre costs.

The demand for pulpwood will, of course, depend on the future growth of demand for pulp and paper products. The three principal elements of variable costs of newsprint production are transportation costs, mill labour costs, and wood costs. Since most Maritime mills have a coastal location and shipments are made by sea, there is no significant difference in transportation costs between the Maritimes and Quebec. Labour costs are also similar. Therefore, it is the variation in wood fibre costs that account for differences in costs of newsprint. From the viewpoint of the pulp and paper industry, the cost per ton of fibre is of major importance.

Both Nova Scotia and New Brunswick have lower fibre costs than Quebec and Ontario, mainly because of easier accessibility. Fibre costs generally account for a good deal of the differences in growth rates of the pulp and paper industry, and growth rates have been higher in the Maritimes than in Quebec and Ontario. In Newfoundland

¹ This section draws to some extent on Atlantic Development Board, *Forestry in the Atlantic Provinces*, Background Study No. 1, Ottawa, 1968.

wood fibre costs are slightly higher than in Central Canada.

At the present time about three-quarters of the region's output of pulp and paper goes to the United States and about 10 per cent to Britain. If competitiveness is maintained and additional wood supplies are assured, the pulp and paper industry of the region should respond to market growth.

The future of the lumber industry will depend on the extent to which there is closer integration of lumbering and pulp and paper to ensure a continuing supply of sawlogs, and secondly on the extent to which new technology is adopted. The lack of suitable saw timber is related to the fact that many of the best saw log stands are under the control of the pulp and paper companies.

New policies with respect to forest management and tenure of forest lands will be an important concern during the next decade. In several provinces, a high proportion of forest land in private ownership and the diffusion of ownership in many small parcels makes the institution of progressive management practices very difficult. In all provinces, better and more detailed information on the resource would be an aid to good management of the resource and its distribution among existing and potential new uses.

Mining

Substantial increases in mineral production in the Atlantic Provinces have occurred during the last decade. In 1959 the total value of regional mineral production was about \$158 million. In 1968 it was over \$470 million. The region during the decade also increased its share of the value of Canadian mineral production from 6.6 per cent in 1959 to 9.9 per cent in 1968.¹

¹ This discussion of mining depends largely on Atlantic Development Board, *Mineral Resources in the Atlantic Provinces*, Background Study 4, Ottawa, 1969.

These increases were due to vast new activity in Newfoundland and New Brunswick. In Newfoundland, the value of mineral output climbed dramatically from about \$72 million in 1959 to \$323 million in 1968. In New Brunswick, the increase was from about \$18 million to almost \$90 million. Mineral output in Nova Scotia was more stable during the 1959-68 period, and in 1968 was valued at \$58 million. In Prince Edward Island the mining industry is relatively small and activity is confined to structural materials.

Mining varies substantially from province to province in the Atlantic region. In Newfoundland, the industry is dominated by iron ore, resulting from the exploitation of the iron ore deposits of Labrador. In 1960 iron ore accounted for 63.1 per cent of the value of Newfoundland's mineral output, and by 1968 this had risen to 80.9 per cent. In 1968 iron ore, copper, asbestos, zinc and structural materials accounted for 95.6 per cent of the value of mineral production in the province.

The principal mineral in Nova Scotia is coal, and the general tendency has been for the value of coal production to decline, both absolutely and as a proportion of the total value of mineral output. Coal represented 68.7 per cent of the value of mineral output in Nova Scotia in 1960 and 52.8 per cent in 1968. Gypsum and salt, on the other hand, have increased in relative importance. In 1968 coal, structural material, gypsum, salt, and barite accounted for 97.4 per cent of the value of all minerals in Nova Scotia.

During the 1960-68 period, substantial changes took place in the mining industry of New Brunswick, with large increases in the value of production of copper, lead and zinc. In 1960, coal represented about one-half of the value of the province's mineral production. By 1968 the value of coal output had dropped to 8.2 per cent of total mineral value. Structural materials, while increasing in value, fell relatively from 41.8 per cent of the value of mineral output in 1960 to 9.9 per cent in 1968. For the most part, this change was due to the exploitation of the copper, lead, and zinc

resources of the province. In 1968 zinc accounted for 43.3 per cent of the value of mineral production in New Brunswick, lead for 16.5 per cent, structural materials for 9.9 per cent, copper for 8.9 per cent, and coal for 8.2 per cent—86.8 per cent in all.

The nature of employment in the region's mining industry also changed substantially during the 1960's. In Newfoundland, the number of employees in mines and quarries rose from 3.3 thousand in 1961 to 5.7 thousand in 1968, an increase of 72.7 per cent. In Prince Edward Island, the number never rose above 100 during the period. In Nova Scotia, the number of employees in mines and quarries, was 8.1 thousand in 1961 and 6.9 thousand in 1968, a decline directly associated with that of coal mining. In New Brunswick, the number of employees in mines and quarries rose from 1.4 thousand in 1961 to 2.5 thousand in 1968, an increase of 78.6 per cent. The regional increase in the number of mining employees was from 12.8 thousand in 1961 to 15.2 thousand in 1968, a rise of 18.8 per cent.

It can be expected that the mineral industry of the Atlantic Provinces will maintain a trend of expansion in output, employment and investment. Substantial growth can be expected in Newfoundland iron ore mining. Considerable growth in the New Brunswick metal mining industry is expected, resulting from the expansion of current deposits, the development to production of known deposits of economic potential, and some new discoveries and developments later in the decade. Some growth can be expected in Nova Scotia's non-metallic mining activity, primarily in salt and gypsum mining. The market for the region's coal, at least until recently, has been poor, but this situation has changed substantially because of a growing demand for coking coal by the steel industry.

Primary petroleum and natural gas potential, coupled with metallic mineral resource potential, can be expected to stimulate mineral exploration

activity in the Atlantic Provinces. For the region, the development of an offshore oil industry is a promising possibility later in the decade. Advance planning should now be taking place to ensure that, should this occur, the benefits to the economy of the area will be maximized.

The mineral potential of the Atlantic Provinces as a whole is regarded as good. Future developments will depend upon new discoveries, the state of world demand, and continuing competitiveness. Government policy should be directed toward ensuring adequate support of geological and exploratory work and surveys, and assurance of appropriate and adequate scientific and laboratory services for the mining industry.

The mining industry is increasingly capital-intensive and this trend will continue in the future. Consequently, large increases in output can be achieved with relatively little additional employment.

Employment Outlook

Major changes in the primary sector can be anticipated in the next decade, reflecting in large part a response to economic and social forces already at work. A decline of approximately one-third in the size of the labour force employed in the extractive industries can be expected over the next decade, due to the increasing application of technology, rising productivity, and changes in the structure and organization of operations. To some extent, this decline in employment will occur through the gradual retirement of older workers, particularly in agriculture and fishery. There will, nevertheless, be a need for a large-scale movement to other occupations. It must be strongly emphasized that this release of manpower from the primary sector must be accompanied by, and indeed depend upon, the opening up of adequate job opportunities in other sectors of the economy. It will also be essential that co-ordinated programs of counselling, manpower training and mobility assistance, be planned and

carried out to ensure a successful process of adjustment and to minimize the dislocation and stress for the people affected by these far-reaching changes.

CHAPTER 9

Manufacturing

The present manufacturing base of the Atlantic Provinces is relatively narrow. This is a major, if not the main, factor in the region's relatively weaker economic performance. Only a small part of Canadian manufacturing activity originates in the Atlantic Provinces. In 1967 the Atlantic region, with 9.7 per cent of Canadian population, accounted for 4.4 per cent of the total number of employees in Canadian manufacturing and for only 3.1 per cent of total value added in manufacturing. Ontario, on the other hand, with 35.0 per cent of Canadian population, accounted for 49.5 per cent of manufacturing employees and 53.9 per cent of value added (Chart 5).

During the period 1961-67, the period for which comparable data is available, there has been little change in the position of the Atlantic Provinces in Canadian manufacturing activity as far as employment is concerned. Manufacturing employment in the Atlantic region, as a percentage of the Canadian total, declined slightly from 4.6 per cent in 1962 to 4.4 per cent in 1967. This occurred in spite of the fact that between 1961 and 1967 employment in manufacturing rose by 17.9 per cent in Newfoundland, 34.0 per cent in Prince Edward Island, 18.7 per cent in Nova Scotia, 16.7 per cent in New Brunswick, and by 18.3 per cent in the region.

Between 1961 and 1967, value added in total manufacturing activity increased by 43.1 per cent in the Atlantic region. However, during the same period, Canada as a whole experienced an increase in manufacturing value added of 61.4 per cent. Throughout these seven years manufacturing value added was approximately 15 per cent of Gross Regional Product for the Atlantic Provinces, while manufacturing value added accounted for about 28 per cent of Gross National Product for Canada.

The economy of the Atlantic region is heavily dependent on natural resources. Manufacturing industry is heavily weighted by the processing of these natural resources. In 1967 value added in total activity of manufacturing industries was \$580

million in the region. Of this amount \$333 million, or 57 per cent, was accounted for by the following industries: fish products, other food processing, sawmills and planing mills, other wood industries, and pulp and paper.

Role of Manufacturing in Development

The limited role of secondary manufacturing in the Atlantic Provinces is a major factor in the overall disparity between the region and other parts of the country. A more rapid rate of growth and development in manufacturing is the key to accelerated over-all development and to the removal of the regional disparity.

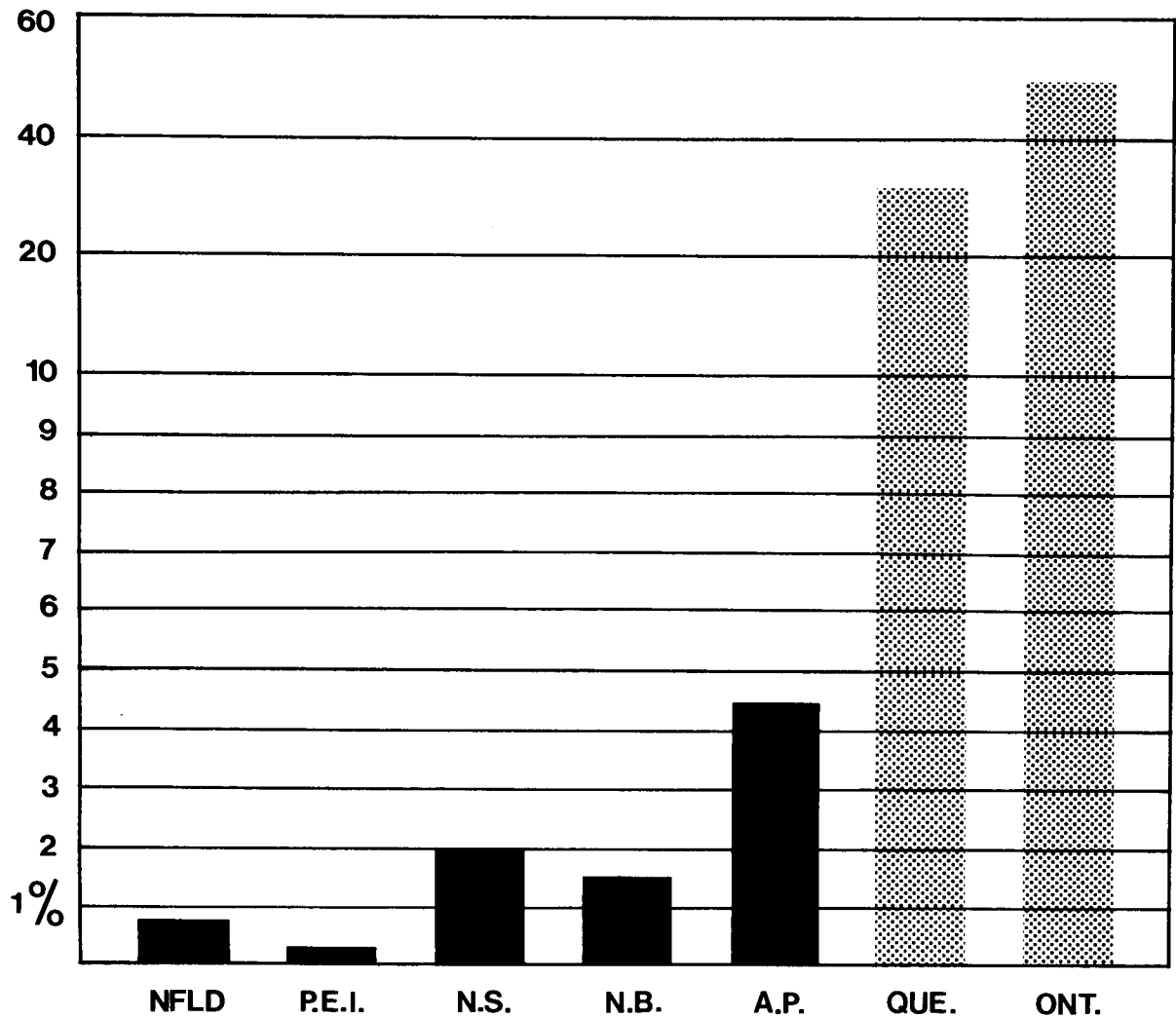
In a discussion of the causes of the slow rate of growth in the British economy in recent years Nicholas Kaldor, Professor of Economics at Cambridge University, emphasized the very high correlation between the rate of growth of gross domestic product and the rate of growth of manufacturing production for the twelve industrially advanced countries for which figures are available. He concludes:

"It is the rate of growth of manufacturing production (together with the ancillary activities of public utilities and construction) which is likely to exert a dominating influence on the overall rate of economic growth: partly on account of its influence on the rate of growth of productivity in the industrial sector itself, and partly also because it will tend, indirectly, to raise the rate of productivity growth in other sectors".¹

The main requirement for a faster rate of manufacturing development in the Atlantic region is the broadening of the manufacturing base by the establishment of growth and high-technology

¹ Nicholas Kaldor, *Causes of the Slow Rate of Economic Growth of the United Kingdom*, an inaugural lecture, Cambridge University Press, 1966.

CHART 5
TOTAL EMPLOYEES IN MANUFACTURING AS A
PERCENTAGE OF THE CANADIAN TOTAL,
ATLANTIC PROVINCES, QUEBEC AND ONTARIO, 1967



industries. This is not meant to imply that there is not an opportunity for further growth of the existing manufacturing base which, as previously noted, consists largely of resource-processing activities. In fact, the processing of natural resources will in all probability form the major activity in a number of areas of the region. However, in the growth centres the main development potential will likely come from new manufacturing activities which in turn will generate a more rapid rate of general development.

Factors Influencing Manufacturing Location

With this leading role assigned to manufacturing it becomes necessary to examine some of the observations, of both a theoretical and an empirical nature, which have been made on industrial location. There would appear to be no satisfactory model, or combination of models, of industrial location which may be applied to the Atlantic region with a view to ascertaining in what respects actual location in the region differs from the theoretical optimum. There are several significant location factors. Among them are raw material supply, labour availability and cost, market accessibility, the availability of suitable factory buildings, as well as the presence of industrial centers. Other determinants of industrial location include personal considerations, proximity to rivals, availability of capital, climate, and the cost and availability of fuel, power and water. But neither has there been any weighting system devised to show the relative importance of these factors in location decision-making. The locational choice by the industrialist is not likely to be an exact science for a number of reasons, including the difficulty of quantifying the variables concerned and the significance of non-economic location factors.

¹ Such an examination was conducted by Joseph C. Mills in 1965 and is contained in an unpublished report to the Atlantic Development Board, *Industrial Location with Special Reference to the Atlantic Provinces*.

At least where a branch-plant location is concerned the ready availability of suitable premises is quite important, both to permit a faster start on production and to economize on capital costs. Industrial estates and parks can be quite influential in determining location, particularly if such parks either contain empty general-purpose factory buildings or arrangements exist for the custom building of plants which can be rented by the firm entering the area.

Agglomeration factors and economies of scale are of importance in industrial location. External economies of the kind achievable in industrial centres are significant in many industries.

Transport costs are probably declining in relative importance as a location factor and, for many industries, are likely to be only a small item in total cost. Where transportation is concerned the availability of good facilities, and good communications as well, appears to be increasing in significance in the minds of industrialists seeking new locations.

Raw materials also appear to be waning in influence as a location factor as manufacturing becomes more complex and transportation facilities more varied.

With labour, skill (or at least adaptability of the labour force) is more important than the presence of relatively low wage, unskilled labour supply.

It would appear that the relative weights of the forces which determine industrial location are changing, with the location of raw materials and close proximity to markets becoming of declining significance. In modern manufacturing, industrial interrelationships have become of dominant importance in industrial location. As Mr. Tom Kent, the Deputy Minister of Regional Economic Expansion, stated in his address to the Annual Meeting of the Atlantic Provinces Economic Council in Halifax in October, 1969:

“Modern technology has reduced the depend-

ence of most manufacturing industries on proximity to their sources of raw materials and markets. What has been substituted is the dependence of industries on one another. They need each other's products and each other's know-how".¹

Industry now is much more mobile, and the variables that ultimately determine location are more susceptible to policy influence. These factors are favourable to the potential of the Atlantic region to attract secondary manufacturing activities.

Manufacturing Growth

In considering the question of what policy is most likely to promote effectively the development of secondary manufacturing in the region, it is relevant to examine the effect of past and present industrial incentive programs. It must be recognized that it is not easy to isolate the effects of such programs; comparisons can be made of the change during the period under review, but it is more difficult to determine how much of the change is due specifically to the effects of the program under examination.

Given these reservations it would appear that the Area Development Agency program did not succeed in significantly changing the economic base in the Atlantic Provinces. For example, in a study of 49 firms in New Brunswick assisted under the program in the period 1963-68, it was noted that the majority were resource-based (31) or linked to the regional consumer markets (14), and that the ADA program failed to attract a number of activities of the "growth industry" type.² A similar

¹ Tom Kent, Deputy Minister of Regional Economic Expansion, Notes for an Address to the Annual Meeting of the Atlantic Provinces Economic Council, Halifax, Nova Scotia, October 27, 1969.

² H. K. Larsen, *A Study of the Economic Impact Generated by ADA-Assisted Manufacturing Plants Located in the Province of New Brunswick*; University of New Brunswick, Fredericton, N.B. March, 1969.

study for Nova Scotia noted the failure of the program to attract much investment in industries which displayed a high growth record elsewhere in the country.¹ Both studies noted that to some extent the program encouraged the dispersal of industry to areas where it would not otherwise have gone and where it was not always well located. Conclusive findings are not available for the program in Newfoundland, while in Prince Edward Island, because of the different resource base, the program was of less relevance.

Tables 14 and 15 show data on the new manufacturing locations, plant expansions, and modernizations which have been assisted in the Atlantic Provinces through the Department of Regional Economic Expansion under the Regional Development Incentives Act. To October 31, 1970, a total of 90 locations or expansions were aided under the program, representing an estimated capital cost of \$43.8 million and an estimated additional employment of 3,906. Of these 90 new locations or plant expansions, approximately 15 were in the fish processing industry, 20 in the field of other food products and beverages, 16 in wood and paper industries and 39 in other areas of manufacturing activity. Among the latter 39 are included such operations as the rebuilding of engines, a machine shop, furniture manufacturing, manufacture of containers, bookbinding, clothing, the manufacture of ventilators, the manufacture of electronic equipment, the manufacture of railway equipment, manufacture of brushes, and the manufacture of construction materials. The addition of these new jobs is very welcome. It is, however, too early to form definitive judgements of the effectiveness of the new incentives program; nevertheless, the heavy representation of existing, rather than new, types of activities should be noted.

¹ Robert L. Comeau, *A Study of the Impact of the Area Development Agency Program in Nova Scotia, a report submitted to the Area Development Agency*, Dalhousie University, Halifax, N.S. August, 1969.

Table 14

New Locations, Expansions, and Modernizations assisted under industrial Incentive Program, Department of Regional Economic Expansion, Atlantic Provinces to October 31, 1970

	Number	Estimated Capital Costs	Estimated Additional Employment
Newfoundland	12	\$ 2,747,739	462
Prince Edward Island	10	2,772,291	279
Nova Scotia *	30	14,721,464	1,200
New Brunswick	38	23,516,499	1,965
Atlantic Provinces	90	43,757,993	3,906

* The Incentive grants to Sysco are not included in this table.

Source: Canada Department of Regional Economic Expansion, *Report on the Operation of the Regional Development Incentives Act*, various issues, and DREE News Releases, to October 31, 1970.

Table 15

New Locations, Expansions, and Modernizations assisted under industrial Incentive Program, Department of Regional Economic Expansion, Atlantic Provinces to October 31, 1970, approximate classification by Industrial Group

	Fish Processing	Other Food and Beverages	Wood and Paper	Other
Newfoundland	6	4	1	1
Prince Edward Island	4	2	—	4
Nova Scotia *	1	6	6	17
New Brunswick	4	8	9	17
Atlantic Provinces	15	20	16	39

* The Incentive Grants to Sysco are not included.

Source: Approximate Classification by Atlantic Development Council.

In July 1970, the Honourable Jean Marchand, Minister of Regional Economic Expansion, announced incentive grants totalling \$15.5 million to the Sydney steel mill; these grants are in respect of a proposed \$94 million modernization and expansion program for the Sydney mill. The statement announcing these grants made reference to the achievements at the plant since its transfer to provincial ownership, but emphasized the need for extensive modernization if operations and employment were to be made more secure.

The strengthened performance of the Sydney steel plant, coupled with the improved outlook for coal, are very encouraging for both the Cape Breton area and the region and emphasize the importance of concern for the strength of existing industries, measures to aid them in remaining competitive, and attempts to maximize their contribution to the local and regional economies. The major program of expansion and modernization proposed at the Sydney mill would appear to provide an excellent opportunity to fully explore the scope for new and expanded operations in the light not only of the external markets but also of a potentially much more vigorous and diversified regional economy in the next decade.

The Environment for Regional Manufacturing in the 1970's

The decade of the 1960's saw many countries including Canada attempt to broaden their secondary manufacturing base in the hopes of accelerating economic development. It is reasonable to assume that this process will continue into the 1970's with the prospect of even greater competition among the various areas. The question then arises as to the Atlantic region's relative strength in this competitive effort.

In a recent book, J. J. Servan-Schreiber outlined the actual and potential penetration of Western Europe by American investment.¹ He stressed that

¹ J. J. Servan-Schreiber, *The American Challenge*, New York, Athenium, 1968.

European firms must take the initiative if they want to remain viable. One method for these large European firms to remain competitive is to establish plants in North America to compete more effectively with American firms. The Atlantic region would appear to be well suited for such operations due to its proximity to the large U.S. markets and its geographic location at the periphery of the American continent. The establishment of Volvo (Canada) Ltd., and Michelin Tire Mfg. Co. of Canada Ltd., in the region may be an indication of a future trend in this direction.

The possession of deep-water ports is another advantage of the Atlantic region, and one which should be of growing significance in the decade ahead. Increasingly they can be expected to generate increased activity in both transshipment and processing operations.

There is some evidence that in some highly industrialized areas, due to the lack of proper planning, the benefits of agglomeration may be beginning to be offset by the increased costs, reduced attractiveness, and operating problems associated with pollution and urban congestion. In the Atlantic region, the problems of congestion and air and water pollution are amenable quite readily both to resolution and control in the future. If, during the region's development, proper planning and control is exercised, the region's relative attractiveness will be enhanced.

Strategy for Manufacturing Development

Despite the growth of manufacturing output and employment over the last decade or so, the manufacturing base of the Atlantic Provinces has only been marginally expanded. To a large extent, additions to the base have been in the form of activity catering to regional needs or concerned with the industrial activities already represented in the region. It is clear that efforts will have to become much more ambitious and much more effective in shifting the pattern of investment if manufacturing is to play the role in the regional

economy which this strategy has assigned to it. It is also clear that an approach which relies upon the haphazard attraction of a number of isolated and unrelated industries will not significantly change the structure of the Atlantic economy.

In Chapter 6, "A Framework for Regional Economic Development in the 1970's", the growth centre concept was examined. The Council believes that the region's accelerated development must be based on growth centres and that in such centres, strategy should be based primarily on promoting inter-industry linkages and, where possible, industrial complexes.

By "industrial complex" is meant the establishment of dynamic industries, linked together through market and supply relationships.¹ This provides an environment in which individual industries can grow together and can establish additional linkages to both manufacturing and service enterprises and where the economies of agglomeration can be achieved to the maximum extent possible.

The importance of industry interrelationships in influencing location is recognized increasingly in regional development policies. In Southern Italy, the Multiple Industry Complex at Bari on the Adriatic Coast will employ, when it is completed, a total of 8,000 in the interrelated metal-working plants. In Southern France, the French Government is developing Toulouse as a regional centre of the aerospace industry. In Japan, the Ministry of International Trade and Industry (MITI) is promoting regional and national development through the industrial complex or "Combinade". The Japanese Pavilion at Expo '70 featured the plan for a Seabord Combinade employing 28,000 people in steel, petrochemicals, aluminum and shipbuilding. The metal-working complex being planned for Saint John area could be a major

¹ W. Isard, E. W. Schooler, and T. Vietorisz, *Industrial Complex Analysis and Regional Development*, Wiley, New York, 1959; W. Isard and Associates, *Methods of Regional Analysis: An Introduction to Regional Science*, John Wiley and Sons, New York, 1960, Chapter 9, page 375.

factor in promoting the industrialization of the Atlantic region in the 1970's.

The Atlantic Provinces have failed in the past to experience agglomeration economies to any significant extent because of the lack of adequate inter-industry relationships.

While a complex may involve a large multiple industry grouping and a large capital expenditure, this need not always be the case. On a smaller scale, the concept is still relevant. Developers can no longer be concerned with simply "getting an industry". Consideration must also be given to the desired structure of the industrial base and to inter-industry linkages. Thus, viability of resource centres should also be enhanced by planning for and promoting the industrial structure on the basis of industry interrelationships. An industrial complex approach does not imply that all industrial locations have to be of this kind. However, the thrust of development in the main industrial centres should give heavy emphasis to the complex approach.

The industrial complex approach may have a special role to play in Newfoundland where the internal market is relatively small and scattered and the regional market less accessible than it is to the other Atlantic Provinces. The Council has initiated a specific study of industrial opportunities in Newfoundland. It is possible that there is scope for new industries catering to the local market. Special attention should be given, however, to the possibility of a complex of related industries catering to external markets to provide a major impetus to development, such as, for example, the proposed Come by Chance petrochemical complex.

Policies for Manufacturing Development

Growth Centres

The Council believes that the necessary expansion and structural change of the region's manufactur-

ing base requires a growth centre policy. The Department of Regional Economic Expansion has designated 12 "special areas" in the Atlantic region.¹ They include the following:

In New Brunswick,
the city of Saint John, and
the city of Moncton and neighbouring areas;

In Nova Scotia,
The metropolitan area of Halifax-Dartmouth, and
the area around the Strait of Canso;

In Newfoundland,
St. John's and a surrounding area including the
Conception Bay coast from Portugal Cove to
Carbonear;
Corner Brook and its environs.

These special areas represent the first round designation of regional growth centres. The Council is in agreement with the present designations. The designation of additional growth centres should be examined and considered as a second phase, but the concept of a concentrated propulsive effect emanating from the main growth centres should act as a check on any tendency to designate more than a limited number of such centres at this time.

¹ In addition the following areas in the Province of Newfoundland and Labrador, of a special nature related to the resettlement program were designated Special Areas: the part of the Burin Peninsula that includes Fortune, Grand Bank, Garnish, St. Lawrence, Burin and Marystown; the area of Grand Falls, Botwood, Lewisporte and Gander; the area of Stephenville and St. George's; the area of Hawke's Bay, Port Saunders and Port-au-Choix; the area of Come by Chance, Arnold's Cove and Goobies and the Happy Valley area in Labrador.

The operations of the Cape Breton Development Corporation are, of course, of special relevance to the Sydney, Nova Scotia, area.

In Prince Edward Island the main special instrument of development is the Development Plan for Prince Edward Island under the agreement of March 1969 between Canada and the Province.

Infrastructure Programs

Only an appropriate mix of industrial and social investment can initiate and sustain economic development. Infrastructure investment is nevertheless important, particularly in the growth centres, as it not only improves the industrial environment but the social environment as well. Short-term agreements have already been concluded between the federal and provincial governments respecting certain designated growth centres in the Atlantic Provinces with the announced intention of these being followed by longer term, more comprehensive agreements. These agreements provide for the build-up and improvement of infrastructure and services in the growth areas. Such special programs should be carried forward in accordance with a plan which, in turn, is consistent with the development of viable urban centres and which reflects a careful assessment of the relationship between the provision of facilities and industrial development. Major comprehensive infrastructure programs of this type should be concentrated at this stage on relatively few centres to achieve maximum impact of developmental expenditure. At the same time, there may arise from time to time the requirement for major items of infrastructure associated with a development in a location which is not a special area. The Council recommends, therefore, that the federal government in such instances should provide whatever assistance may be required in conjunction with the province to see that this facilitating industrial and social capital is available. It recommends that such assistance be discretionary and its availability not necessarily formalized by the designation of the area concerned as a Special Area.

Industrial Intelligence and Promotion

In order to conduct a meaningful and effective industrial promotional program, it is necessary to know, as specifically as possible, the kind of industries which will achieve the purpose sought. This kind of knowledge has been inadequate in

the past. As a consequence, industrial search and promotion has been to some extent handicapped and not always as productive as it might have been.

One approach is to try to determine a ranking of desirable industries based upon certain agreed criteria, such as expected growth, productivity rating, labour intensity, and the strength of forward and backward linkages, etc. On the basis of weights assigned to these and other factors, it is possible to arrive at a list of the most desirable industries which can then be tested for suitability and feasibility by examining markets, rate of return, comparative costs, and other relevant factors.

The cost of carrying out such studies is very small relative to the total sums which will be spent in a successful development program. Results of such studies should help to ensure that concentration of effort is directed to industries that will contribute the most to the region's development.

The purpose of industrial intelligence is, of course, to provide both public and private agencies concerned with economic development with detailed specific information and guidance on good prospects. The approach to industrial promotion must be an active one. The homework must have already been done—that is, industries tested and assessed for desirability and for feasibility. It should then be possible to approach potential prospects with a very firm basis for discussion and negotiation. This a positive method for industrial development and should ensure that the promotional effort will not be dissipated over too broad a range of industries and will not be wasted upon industries which have no future in the region.

The Council is of the opinion that there must be a regional approach to industrial location, and recommends the establishment of a regional industrial intelligence and promotion agency. This agency would conduct a systematic and scientific program of studies, research, and investigation to assess the locational requirements of industry in relation to the industrial needs of the region and

its potential for specific industrial projects. The agency would be a source of comprehensive and up-to-date information on industrial opportunities. In the area of promotion, the agency would be responsible for the initial contact with prospective firms or industries to stimulate interest in a location in the region. Discussion and negotiation on specific sites within the region would be a matter for the respective provinces.

Such an agency should, as a matter of priority, give particular attention to areas or forms of activity of major significance to the region or some part of it, e.g. high technology industries and industries with strong linkage effects. There would still be some scope for other agencies to carry out similar work, particularly that closely related to the specific resources of one province, area or locality.

At the present time, possibly the items in shortest supply from the standpoint of the region's future economic growth are sound development ideas. This must be corrected as quickly as possible. Clearly, the region is like a large corporation with much to offer, but possessing a rather weak and fragmented marketing organization. The region's "marketing organization" must be centralized and it must be strengthened. The advantages of locating in the region must be sold vigorously, both nationally and internationally.

There are apparent advantages in having the activities of such an agency encompass all four provinces of the region. Nevertheless, it is the Council's opinion that for the present the proposed agency should not apply to the Province of Newfoundland and Labrador and that industrial search there should be carried forward on a separate basis for the present. Reference has already been made to the study of manufacturing opportunities in Newfoundland. Pending the emergence of findings from this and other relevant studies, the program for Newfoundland should be continued on this basis.

The Council recommends the joint establishment by the provincial governments of the Maritime

Provinces of a regional industrial intelligence and promotion agency, and it also recommends that this agency should receive some initial federal financial assistance.

Financing Industrial Development

Existing Federal Program of Industrial Incentives

Direct federal incentive assistance to industry is now provided mainly under the provisions of the Regional Development Incentives Act, which came into force July 1, 1969. This legislation replaced the previous Area Development Agency (ADA) program, although the ADA program continued to be available to the end of 1969.

The purpose of the Regional Development Incentives Act is defined as follows:

“to provide incentives for the development of productive employment opportunities in regions of Canada determined to require special measures to facilitate economic expansion and social adjustment”.

The Act provides for development incentives in designated regions. The designated regions include all of the Atlantic region with the exception of Labrador, as well as portions of each of the other provinces. The regions are designated for a period of three years, to July 1, 1972.

Under this program, incentives are available for manufacturing or processing operations other than an initial processing operation in a resource-based industry. Excluded for example are oil refining, the production of pulp, newsprint, and mineral concentrates. Primary activities such as farming, fishing, logging and mining are not eligible but such operations as the processing of fish and farm products, petrochemical processes, the production of paper and paperboard from pulp and the processing of mineral concentrates to produce metals are eligible.

Under this legislation a primary incentive of up to 20 per cent of approved capital cost, subject to a maximum of \$6 million, can be provided for the establishment of a new facility or the expansion or modernization of an existing facility in a designated region. In addition, a secondary development incentive may be authorized for the establishment of a new facility or the expansion of an existing facility to enable the manufacture or processing of a new product, i.e. one not previously manufactured or processed in the operation. The maximum secondary incentive is 5 per cent of approved capital cost plus \$5,000 for each job created directly in the operation.

A number of changes in the Regional Development Incentives Act were made in December 1970. These changes included provision for special development incentives. The maximum special incentive is 10% of capital costs for expansion and modernization; for a new plant or expansion of an existing facility to produce a new product it is 10% of capital costs plus \$2,000 per job. The maximum total incentive assistance under the incentives program is the lesser of \$30,000 for each job created directly in the operation or one-half of the capital to be employed in the operation. The original ceiling of \$12 million on the size of any development incentive was removed in the recent changes. Special incentives have a time limitation of three years before the time limitation in respect of primary and secondary development incentives. Projects to be assisted by a special development incentive must be brought into commercial production by December 31, 1973; the corresponding date for primary and secondary incentives is December 31, 1976. A press release on the Minister's explanation of the proposals indicated that, in the Atlantic Provinces, the special incentive would be available in addition to existing incentives. The maximum incentive in the Atlantic Provinces is thus 30% of capital cost for expansions and modernizations and, for new plants, 35% of capital costs plus \$7,000 per job.¹

¹ News Release, Department of Regional Economic Expansion, December 1970.

The statement also indicated that incentives would remain at existing levels in the regions already designated in Quebec, Ontario and the four Western provinces. A new region would be designated—all of the southwestern part of Quebec, including Montreal and Hull, not already designated, plus the counties of Stormont, Glengarry and Prescott in south-eastern Ontario. In this region, only the new special incentives would be available, plus the new system of loan guarantees.

Specified incentives are maximums. The incentives are discretionary and a number of factors are taken into consideration in determining the actual amount of incentive, if any, to be provided in any one instance. No assistance is to be authorized where it appears probable that the development, whether it be a new operation, an expansion or modernization, would proceed without such an incentive. The legislation indicates that the extent of assistance from other government sources is to be taken into consideration in the amount of any federal incentive.

The changes in the Regional Development Incentives Act in December 1970 also made provision for a system of loan guarantees. The loan guarantees are available for operations eligible for industrial incentives as well as for commercial operations. The loan guarantees are applicable to facilities brought into commercial production by December 31, 1976. They can be provided for loans up to 80% of the capital cost of the undertaking net of any federal, provincial or municipal grants, if sufficient financing would not otherwise be available on reasonable terms. The Regulations define the classes of commercial undertakings to which loan guarantees are applicable throughout the designated regions as convention facilities, hotel accommodation and recreational facilities. In addition, in large centres of population, business offices, warehousing and freight-handling facilities, and shopping centres are eligible, provided that they are on a major scale in relation to the size of the community. A minimum of \$1,000,000 total capital costs is specified for an eligible project in a large centre of population, and \$500,000

elsewhere. These minima apply only to commercial undertakings. Loan guarantees may be provided, throughout the designated region, for the establishment, expansion or modernization of any manufacturing or processing plant that is eligible for incentives.

The foregoing deals with incentive grants and with loan guarantees available under the Regional Development Incentives Act. In addition, there is provision under the Government Organization Act, 1969, for special assistance to certain undertakings in special areas. "Special areas" are chosen by the federal government in consultation with the province concerned, and are those that are deemed to require special measures to facilitate economic expansion and social adjustment. For such a special area, development plans are drawn up by the federal government in consultation with the province concerned, and assistance through loans and grants is available for works and facilities considered essential to the plan for the special area.

In the special areas, there is also provision for assistance to certain undertakings. Assistance can be provided for the establishment, expansion or modernization of a commercial undertaking deemed essential to the successful implementation of a plan for a special area. Such assistance may be provided by:

- (1) guarantee of payment of principal or interest of loan;
- (2) payment of a grant or a loan in respect of a part of capital cost;
- (3) payment of a grant in respect of such part of costs of bringing into commercial production and operating, incurred in the first three-year operating period, as is attributable to factors associated with location of the undertaking in the special area.

There are, however, restrictions on these types of assistance. For example, where an undertaking could be given a development incentive, it cannot

be given the capital loan or grant or the operating grant; it may be given assistance by way of guarantee of principal or interest only if the capital cost of the undertaking would exceed \$75,000 for each job created directly in the undertaking, or \$30 million.

It is considered too early at this stage to reach a conclusive judgment on the adequacy of the present industrial incentives program. The original program has been operative for just over one year, which may be said to represent the "gearing-in" phase. The special incentives and the new system of loan guarantees have only just been introduced. The Council is of the opinion, nevertheless, that certain changes must be made for the program to achieve maximum effectiveness.

Tables 14 and 15 on page 67 show that much of the activity under the Regional Development Incentives Act is concerned with traditional industries for the region, notably those based on the region's raw materials resources. While we must look to further expansion and improvement of industries based on the resources of the region, this alone will not provide the number of new job opportunities required in the next decade, and an industrial development program to be effective will have to succeed in attracting new types of industries, particularly the "growth" industries.

Proposals for Changes in Federal Incentives Programs

1. Depreciation of Incentive Grants

There are several specific observations to be made on the existing policies and programs. One concerns the non-depreciable nature of development incentive grants. Payments under the Regional Development Incentives Act are exempt from income tax, but they are not depreciable. Under the ADA program, grants were exempt from income tax; also, they were not deducted from the capital sum against which capital cost allowances could be claimed. Such provision is not contained

in the new legislation, with the effect that grants are not depreciable. This means a reduction in the real value of the grants. Moreover, it ignores the problem of capital replacement. It must be remembered that the purpose of regional development is not to promote a series of short-lived ventures, but rather to build up the basis for continuing industrial activity and progress. This means that firms must be in a position to replace their plant and equipment when required, and not simply that part of it for which they initially paid. Failure to allow depreciation of the grant portion of capital cost means that such provision for replacement must be made out of taxed profits.¹ The continued rise in costs due to inflationary pressures makes adequate provision for capital replacement a matter of serious concern.

The Council recommends that development incentive grants should be depreciable on the same basis as if the firm had financed the whole of costs instead of just a portion of these.

2. Settling-In Grants

There is provision under existing legislation for "settling-in" grants, i.e. grants given in respect of operating costs during an initial period, in this case 3 years. Grants of this type are generally assumed to reflect the fact that in certain types of plants, there will be additional operating costs in the early years associated with the initial establishment of a firm, which will not be experienced in later years when labour is fully trained, supplies and services are better organized, etc. There appears to be considerable substantiation of the fact that many firms do in fact experience such a cost pattern.² The assumption underlying "settling-

¹ For a discussion of this point see Professor T. Wilson, *Financial Assistance with Regional Development*, a report prepared for the Atlantic Provinces Research Board, Fredericton, N.B., 1964, p. 50.

² See W. F. Luttrell, *Factory Location, and Industrial Movement: A study of Recent Experience in Great Britain*, Cambridge University Press, London: 1962.

in" assistance is that the additional costs are of limited duration for firms which in the long run should be fully viable.

At present, the legislation allows for payment of a grant in respect of operating costs during a three-year period for commercial undertakings in special areas. However, this assistance may not be given to a firm if it is eligible for a development incentive. The present treatment of "settling-in" grants is somewhat inconsistent. For example, it would be possible to provide a grant of this kind to operations such as oil refineries and pulp and paper mills (which are excluded from industrial incentive grants) even though these are generally considered to be capital-intensive industries where the extent and duration of extra settling-in costs would normally be quite small. At the same time such a grant could not be given to a labour intensive secondary manufacturing firm which would be eligible for an incentive. It is quite clear that given the need to attract a substantial number of labour-intensive industries to the region, there should be broader provision for "settling-in" grants to industry. Moreover, the availability of such grants should not be restricted to firms in special areas. To ensure that the purpose of "settling-in" grants is achieved, it is essential that provision be made for required manpower training.

The Council recommends that provision be made, on a discretionary basis, for "settling-in" grants for up to a three-year period, for operations eligible for development incentives and upon condition that the recipient firm undertakes the establishment of an appropriate program of manpower training.

3. Loan Guarantee Powers

Elsewhere in this document mention is made of the difficulties experienced by firms in the Atlantic region, particularly small firms, in obtaining adequate financing—principally long-term financing—both debt and equity. Under present powers of the Department of Regional Economic Expansion,

under the Government Organization Act, loans, or guarantees of principal or interest of loans, can be given to commercial undertakings in special areas. However, where such an undertaking is eligible for an incentive grant, a capital loan is not available and the guarantee of principal or interest can be extended only if the capital cost of the undertaking would exceed \$75,000 for each job created directly in the undertaking, or \$30 million. The latter limits are such that it is quite apparent this particular power of guarantee will be of little applicability in the Atlantic region where many firms are small. This restriction on the power of guarantee is considered to render it of little significance to the Atlantic region and in the Council's opinion the restriction should be removed. In the interim, however, recent changes to the Regional Development Incentives Act which provide for loan guarantees for operations eligible for industrial incentives would appear to meet this problem. The Council, in February 1970, made recommendations to the Minister of Regional Economic Expansion, for broader powers of loan guarantee in respect of operations in the Atlantic region and welcomes the recent extension of this power.

The Need for Other Improvements in Financing Arrangements

There is evidence that firms in the Atlantic region have difficulty in securing adequate financing even with the availability of incentive grants for firms in the manufacturing and processing sector. This is particularly true for small firms, which account for a large proportion of economic activity in the region. Elsewhere we examine the activities of the Industrial Development Bank and the Small Businesses Loans Act. While these institutions and arrangements have played some role in financing business, changes would be needed to make them effective instruments of finance in the region's development program. Specifically, there must be easier access to equity financing. We also think that local sources of

capital could be more effectively mobilized in the cause of regional development.

In developing industrial complexes in the growth centres, the need for a special institution may arise. In order to attract a linked group of industries it may be essential to promote the establishment of certain key industries or suppliers on a different size scale or to a different time schedule than might be indicated by an isolated industry approach. Under these circumstances, special financing arrangements involving a high degree of flexibility would appear to be required. The Council suggests that there should be an organization which would be in a position to assist such operations in the growth centres by engaging directly in debt and equity financing. The Council would envisage that the funding of such an institution would be largely federal although it might be a joint federal-provincial venture.

The case for a special agency of this kind is, in the Council's opinion, confined to the major growth centres—for example, Saint John, Moncton, Halifax-Dartmouth, and St. John's. Moreover, the operations of such an agency should be confined to ensuring the availability of industries and operations which are key links in a required chain of industrial relationships. It must also be clear that existing businesses are to be given every opportunity to meet requirements before the agency intervenes to set up new firms. Moreover, in instances where such an agency finds it necessary to carry on a business under its own auspices for a time, it must be understood that the business is available for purchase by private enterprise at a fair price based on its market value.

The Council recommends the establishment for the major growth centres of the region, of special agencies with the power to participate directly in debt and equity financing for key industries required as links in a planned group of interrelated activities.

It should be stressed that whatever additional arrangements are made to assist the financing of

industry in the Atlantic region, the Atlantic region must share in the activities of the proposed Canada Development Corporation and enjoy full access to its facilities.

The Role of Provincial Governments in Industrial Financing

It is the opinion of the Council that the main public burden of financing industrial development should be federal, and that the role of the provincial governments should be complementary. Much needs to be done—aside from direct financial assistance—to aid existing firms to improve their competitive position and expand. Many of the programs required to assist small business are best suited to sponsorship under provincial auspices. Moreover, federal incentives are not available below certain minimum limits of capital expenditure—\$60,000 for a new firm and \$30,000 for an expansion. Nevertheless, business developments which fall in this category may be very significant individually and in some localities, and should merit the attention of provincial governments.

Finally, there are various types of activity that may need and warrant assistance but which are not eligible under the federal incentives program, which is concerned primarily with secondary manufacturing.

The Needs of Existing Business

Existing business in the Atlantic region should play a significant role in the development effort of the coming decade. Some firms are well equipped to play such a role and are already undertaking expansion or venturing into new product lines and new markets. Others need special help in overcoming problems that hinder their efficiency and potential for growth. Some of these problems stem basically from the small size of the firm; others stem from deficiencies in supporting institutions and services. Specifically, there is a widespread

need for more and better long-term corporate planning.

Elsewhere in this document the financing problems of small firms are discussed and suggestions made as to means by which the financing requirements of small business would be better served. The Council also recommends a Regional Management Institute which should be of general benefit to business in the region in ensuring that its management training requirements are recognized and made available.¹ However, such changes will not solve all the problems faced by business in the region. Indeed there is evidence that in many cases small businesses are unable to make full and effective use of existing services.

In this connection, mention should be made of the Management Engineering Services Program of the Nova Scotia government. This program relies on the voluntary participation and co-operation of businesses in a program of problem diagnosis and therapy. Staff consists of a small corps of people with experience in various areas of business management, backed up by a small group of specialists who are called upon when the diagnosis of the firm's problems has been completed and a program of corrective action is to be initiated. In many cases the requisite action may be found by "tapping" into existing programs and services. In this program, retired business executives—members of Canadian Executive Services Overseas—have been found to be very valuable in assisting firms to identify and solve their problems. The approach adopted by Nova Scotia is promising and recommends itself as a very practical approach toward helping small firms meet and solve their varied problems.

¹ On November 23, 1970, the Council sponsored an Atlantic Management Development Conference at Halifax, N.S. The Conference was attended by representatives of business, the universities and government. A resolution for the establishment of a Management Institute for the Atlantic Provinces was passed and a Founding Committee to establish terms of reference named.

Employment Targets in Manufacturing

In the period 1971-81 the rate of economic growth and the level of employment in the Atlantic Provinces will be determined primarily by the growth of manufacturing. This is implicit in the policies of the Department of Regional Economic Expansion which relate most directly to the manufacturing sector.

During the decade of the 1960's, the annual average increase in the region's labour force in manufacturing was about 2,300. This was during a period when the development effort was almost completely unco-ordinated, when there was the converse of a growth centre policy, little inter-provincial co-operation, and practically no systematic industrial promotion and intelligence. Moreover, the financial incentives presently available to industries expanding or locating in the Atlantic Provinces are far stronger than those prevailing in the 1960's under the Area Development Incentives Act. Accordingly a target of 50,000 jobs in manufacturing for the decade of the 1970's, roughly double the number actually achieved in the 1960's, appears to the Council to be capable of attainment. Indeed, the success of the Multiple Industry Complex in Saint John could provide, in itself, over a quarter of this total.

With an increase in manufacturing employment in the order of 50,000, the region will have no difficulty generating an accompanying increase in employment and in income in the other sectors—particularly services—to carry it to a high level of overall performance.

Economic and Physical Planning

The proposed strategy for economic development entails a greater degree of urbanization, a growth-centre approach which seeks to build on strength, and special emphasis on secondary manufacturing. A well co-ordinated approach to economic and physical planning will be necessary to ensure that the problems of pollution, congestion and

haphazard urban sprawl which beset many major industrial areas on the North American continent and elsewhere, are anticipated and prevented. The Atlantic Provinces are fortunate in that they are embarking on an ambitious program of industrial development at a time when the state of knowledge and technology, and the awareness of the environment, are such that early and effective measures can be taken both to correct those problems which now exist and to avoid the creation of new problems in the future.

The Provinces should give high priority to efforts to bring present problems of pollution, both municipal and industrial, under control. For the future, they must exercise rigorous control to ensure that future developments incorporate all necessary safeguards for the protection of the air, water and land environment. There will be instances where a pollution problem—actual or potential—involves more than one province. In such cases joint action is required. In the case of water resources a mechanism is already available under the Canada Water Act for the establishment of inter-governmental bodies for co-ordinated action.

Conclusion

An industrial research and promotion program will only be successful if it changes significantly the structural pattern of investment in the Atlantic region. Inevitably this will also entail changes in the distribution of population and activity and in the institutions of the region. Programs of manpower training and mobility must be co-ordinated in both timing and kind with the industrial development program. Finally, the industrial development program must be kept under constant review to determine whether it is providing the number of new jobs necessary to achieve the over-all development objectives. The program has not yet been adequately tested under conditions that can determine conclusively its effectiveness. It may be that changes will be necessary. For example, it may prove necessary to provide special incen-

tives over and above those now available for key high-technology industry in the main centres.

The Council realizes that some residents in the region see no need for further economic development, particularly if it involves greater industrialization. However, there are far too many people in the region for whom circumstances and conditions do not offer any reasonable opportunity for a satisfying and rewarding life in which they can make a worthwhile contribution to their society. While it is true that the process of industrialization poses hazards, the alternative is the continued out-migration of people who would not leave if given the opportunity to work in their own region, and the wastage of lives unfulfilled in jobs where they are underemployed.

Those wary of industrialization can perform a very useful function by exerting their efforts and talents to ensure that development progresses without damage to our environment, while still allowing maximum development of the full human potential of the region.

CHAPTER 10

Supporting Sectors

The supporting sectors are defined to include construction, the utilities, transportation, storage and communications. The level of activity in this group of services is closely related to the general level of business activity. Conversely, activities and the level of efficiency in these services can exert a significant influence on business performance, both general and specific.

Construction

The level of construction activity at any time will depend on a number of factors, including the level of general economic activity, population movements, and changes in social values and attitudes with respect to such things as education, health services, and pollution.

As can be expected, employment in the construction sector varies considerably from year to year. As a proportion of the regional labour force, the number of persons engaged in construction held fairly constant throughout the period 1959-69, ranging between 8.3 per cent and 9.9 per cent.

A significant feature of the construction industry in the Atlantic region is that it bulks substantially larger in its contribution to net value of commodity production than does the industry at the national level. In the period 1960-67, the percentage contribution of construction to the net value of commodity production for the Atlantic Provinces varied from a low of 20.6 per cent to a high of 27.5 per cent; in Canada, the range was from 14.3 per cent to 19.1 per cent. In 1967, construction accounted for 25.8 per cent of the net value of commodity production in the Atlantic Provinces; for Canada, the comparable figure was 17.2 per cent.

Building construction is the major component of the construction sector. In 1969, it accounted for almost 60 per cent of the value of all construction work performed in New Brunswick, 54.7 per cent in Nova Scotia, 65.1 per cent in Prince Edward Island, and 37.7 per cent in Newfoundland.

Given the need in the Atlantic Provinces for new capital assets, and with the anticipation of a successful development program, a very substantial expansion in construction activity can be expected in the next decade. During the 1970's, the regional construction industry has a vital role to play in the process of economic growth. It is the sector which is directly concerned with the expansion and diversification of the region's physical assets. Accordingly, industrial relations in this sector are of vital importance. Every effort should be made to ensure that during the coming decade, industrial relations in the construction industry are excellent. At the same time, the opportunity should be sought to maximize the regional impact of the activities of the construction industry. Attention should be given to the possibility of developing an increased input from the region of raw materials, and processed or fabricated components. Every effort should be made to ensure that by appropriate co-ordination of manpower training, the region's labour force is equipped to supply the level and variety of skills required by an industry which will, itself, be undergoing significant change.

Electric Power

The position of the region with respect to electric power improved considerably in the period of the 1960's. Large-scale hydro projects in both Newfoundland and New Brunswick, the use of larger and more economical thermal units in these provinces and in Nova Scotia, together with expanded inter-connections, have enabled these provinces to achieve the economies of size and scale of plant and installations and some economies of integration. Power supplies for existing and potential new requirements became more adequate, and while utilities generally throughout the country are experiencing the effects of rising costs—reflected in a number of regions of the country in rate increases—the comparative cost position in the Atlantic region has probably improved somewhat.

In Prince Edward Island it is difficult, because of the relatively small demand in the province and the absence of a power connection with the mainland, for the Island to realize the economies of large units.

From the viewpoint of a development strategy, the essential requirements in respect of electric power are, first, that the provinces in the region are in a position to meet demands and to have sufficient advance capacity, so that potential new demands for large users can be confidently assured. Secondly, costs of power in relation to those prevailing in other areas, particularly in other areas of Canada and relevant United States areas, must not be significantly out of line. The cost of power is a factor in the operating costs, and hence the profitability, of many industries. For a few power-intensive industries, it is a predominant consideration. Therefore, the concern of development authorities should be that the provinces' power utilities can meet load requirements adequately and maintain reasonably comparable price levels.

These objectives can be effectively pursued by the continued move toward larger units and strengthened inter-connections, both regionally and externally. If circumstances such as the scale of financing or other special factors require it, some federal financial assistance should be forthcoming, so that this kind of approach is continued.

Tidal Power

The feasibility of developing and utilizing the region's tidal power resources has long been a matter of interest, and over a period of time a number of studies and investigations on various aspects of this subject have been carried out. The most recent comprehensive study of this nature was that carried out under the Atlantic Tidal Power Programming Board. This Board included representatives of the Government of Canada and of the provinces of Nova Scotia and New Brunswick. The report of this Board concluded that:

“economic development of tidal power in the Bay of Fundy is not feasible under prevailing circumstances”.

The Board recommended, however, that additional detailed studies be authorized when certain conditions had changed.¹

The Council is of the opinion that the development of the tidal power potential of the Bay of Fundy warrants continued consideration in a current and up-to-date context. Of particular relevance are the increased cost of power generation from alternative sources, supply problems in coal, and the growing concern on all sides with problems of pollution. Reference need only be made in this connection to the alarming and apparently unforeseen power shortage now threatening parts of the United States. To a significant extent, this potential shortage reflects the increasing conflict between the preservation of the environment and the development of sources of electric power. The Council, accordingly, recommends that further study of a tidal power development in the Bay of Fundy be initiated.

Employment Outlook

Over the next decade, some increase is anticipated in employment opportunities in the supporting sectors. A much expanded construction program, and improvements in transportation and communication services, will bring new demands for labour, which will be only partly offset by expected increases in productivity. The target for employment in the supporting sectors is 135,000 for 1981, which represents an increase of about 32,000 jobs, but negligible change in the proportionate contribution of this sector to total employment. This appears reasonable in the light of trends elsewhere and the probable impact of changes in technology.

¹ Atlantic Tidal Power Programming Board, *Feasibility of Tidal Power Development in the Bay of Fundy*, October, 1969.

CHAPTER 11

Services

The service sector, for the purposes of this strategy, is defined to include wholesale and retail trade; finance, insurance and real estate; commercial and non-commercial community, business and personal services; and public administration and defence.

The lack of reliable estimates of the value of output of the service industries makes it necessary to depend exclusively on employment data to indicate the size and growth of the service sector. It must be remembered that productivity in the service industries for the country as a whole is generally lower than that in manufacturing industries; this in turn is reflected in relatively lower wage levels.

As incomes rise and as population becomes more urbanized, the trend in all industrialized countries has been for employment in the service industries to grow more rapidly than in the goods-producing industries, and thus for service employment to represent a growing proportion of total employment. The Atlantic Provinces were no exception to this trend during the 1960's. Indeed, this growth has been evident for a long period of time, particularly since the end of the Second World War. Moreover, there is no evidence to suggest that in the highly industrialized countries, growth in the service industries relative to other sectors will not continue.

The Service Industries 1951-61

Because of the significance of the service industries to future employment and income in the region, it is necessary to assess the sector in a relatively long-term perspective. Hence the analysis here is carried back further than is the case for other sectors.

Some indication of the size and relative importance of the service industry and its several components, expressed in terms of employment in the Atlantic Provinces in 1951 and 1961, is contained in Table 16.

The growth in service sector employment, historically, has paralleled the movement of labour out of goods-producing activities, especially agriculture. The movement of population to the cities, the evolution of mass merchandising techniques over a broader product range, increased income and leisure time, and the expanded roles of government at all levels, were among the major reasons accounting for this growth. While these influences have been present throughout this century, the main growth has occurred since the Second World War. By 1961, the service industry labour force in the Atlantic region was 48.8 per cent of the total labour force as compared with 35.8 per cent in 1951.

Three factors accounted for the expansion during the 1950's: expanded retail trade activities; increased health, education and welfare services; and expanded government activities, especially national defence.

All provinces did not share equally in this expansion. In New Brunswick, and to a lesser extent in Nova Scotia, increased defence activity pushed employment increases above the regional average. In Prince Edward Island, slower rates of growth in retail trade and in education, health and welfare, held the total employment increase to about two-thirds the regional rate.

The Service Industries 1961-68

It is not possible to carry the analysis of the 1951-61 period through to the present because of non-comparability of statistics. Subsequent to the 1961 Census, estimates of the number of employees are available. These exclude various categories such as proprietors, own-account workers, contract workers; non-civilian employees in defence services are also excluded. From comparisons which can be made, it is apparent that there are a considerable number of self-employed persons, working proprietors, and others, who do not appear in the estimates of employees by industry;

TABLE 16*Labour Force,¹ Service Industries, Atlantic Provinces, 1951 and 1961*

	Labour Force		Labour Force, Service Industries as Per Cent Total Labour Force		Per Cent Increase in Employment 1951-1961
	1951	1961	1951	1961	
	(thousands)		(per cent)		
<i>By Industry</i>					
Trade	70.5	89.7	13.3	16.0	27.2
Wholesale	19.2	23.7	3.6	4.2	23.4
Retail	51.3	66.0	9.7	11.8	28.7
Finance, Insurance and Real Estate	7.3	11.5	1.4	2.1	58.9
Community, Business and Personal Services	72.8	103.0	13.7	18.3	41.5
Non-Commercial	—	67.9	—	12.1	—
Commercial	—	35.1	—	6.3	—
Public Administration and Defence	39.5	69.8	7.4	12.4	76.7
Total	190.1	274.1	35.8	48.8	44.2
<i>By Provinces and Region</i>					
Nova Scotia	86.9	124.2	39.4	52.4	42.9
New Brunswick	56.6	85.2	33.5	47.8	50.5
Prince Edward Island	10.9	14.1	29.7	41.3	29.4
Newfoundland	35.7	50.6	33.5	45.1	41.7
Atlantic Provinces	190.1	274.1	35.8	48.8	44.2

¹ 14 years of age and over in 1951; 15 years of age and over in 1961.
 Source: DBS, *Census of Canada, 1951 and 1961*

TABLE 17*Percentage Increase in Number of Employees, Service Industries, Atlantic Provinces, 1961-1968.*

	N.S.	N.B.	P.E.I.	Nfld.	Total
Trade	27.1	18.8	8.1	28.3	23.5
Finance, Insurance and Real Estate	44.4	25.7	20.0	72.7	39.6
Community, Business and Commercial Services	28.5	30.3	46.2	65.7	37.2
Public Administration*	14.9	13.3	10.0	26.2	16.2
Total—Services	26.2	23.9	26.3	46.9	29.4

* Does not include non-civilian defence personnel.
 Source: DBS, *Estimates of Employees by Province and Industry*

hence the number of employees does not represent the total labour force.

In the absence of other data, however, it is necessary to use the estimates of employees to indicate the trends in employment in the service industries since 1961 (Table 17).

The period 1961 to 1968 saw rapid increases in the number of employees in the various service industries. By and large, the data indicate a continuation throughout the 1960's of the growth rates that emerged following the Second World War. In the three Maritime Provinces the rates of increase were very similar. In Newfoundland, however, better-than-average increases in all service activities, but especially in community services, accounted for a rate of growth more than a third higher than other Atlantic Provinces.

In the 1960's, the same factors that produced the service sector employment increases a decade earlier continued to be effective, but some changes in emphasis occurred. Public administration, especially defence, contributed to a lesser degree than in the fifties; health, education and welfare, to a greater extent.

Developments in the Service Sector

It would appear that the growth in retail trade, health, education and welfare, and public administration, has been mainly responsible for the sharp increase in the service sector. However, each of these areas is, itself, subject to a series of complex influences that come from both within and outside the region. Nonetheless, the size of the service sector and its growth rate warrant some analysis of the role which it is to play in the future development of the region. For this purpose it is useful to consider separately activities that are primarily determined by the level of economic activity prevailing in the region and the nation, and those that are probably less dependent upon the levels of income and output.

Under the heading of service activities primarily dependent upon the level of economic activity are the following: wholesale and retail trade; a part of finance, insurance and real estate; and personal services. Together, they account for approximately 40 per cent of total service employment. Changes in activity in these areas are mainly determined by changes in disposable income. Therefore, given a successful development effort, there should be an impetus for future growth in this category. However, other factors will tend to slow this rate of increase.

In retail trade and personal services, there is an increasing tendency towards fewer but larger service units. Along with this trend, and rising labour costs, there are additional opportunities for the substitution of capital for labour. These propensities will be reinforced by tendencies towards greater urbanization and for large retail outlets to locate in smaller regional centres. On the other hand, some gains in total employment will accrue from these same trends. As urban centres become larger, a broader range of services will be possible and new forms of specialized service will be introduced.

As retail trade is the largest component of this category, we conclude that there will be continued growth in this group of dependent activities, the exact size depending, to a large degree, on the success of the regional development effort.

In the category of activities not primarily dependent on the level of general activity, we would include: health, education and welfare services; and the bulk of employment in public administration and defence. While these activities are indirectly dependent upon levels of economic activity and income (through income tax payments to government), service demand is an important factor.

In the area of education, the changing age structure of the population will influence the demand for teachers at all levels. The effect of a projected decline in the 5—14 age group will be offset to some extent during the early part of the

decade by the projected increase in the 15–24 age group in the Atlantic Provinces and the apparent tendency for persons in this group to remain longer in school. Lower teacher-pupil ratios, expanded curricula, and expanded formalized pre-school training will also act to offset the effects of an apparent reduction in numbers moving into the education system.

Employment in health services is expected to continue to grow at least at present rates. Hospital consolidation and limited automation will reduce labour demand somewhat, but this will be more than offset by other factors that will tend to generate employment. The demand for greater availability and a broader range of specialized services, more intensive use patterns, and greater emphasis on preventative services, are only a few of these factors. Welfare services employment will also continue to grow, influenced by the tendency towards more comprehensive rehabilitative approaches, expanded public concern about poverty, and emphasis on the development of community-based services.

The civilian employees in public administration at all levels of government have been increasing steadily since the Second World War. Given the apparently increasing role of government in our society, there is little doubt that this rate of increase will continue over the next decade.

Defence Services

Total employment by the Department of National Defence in the Atlantic region was estimated in June 1968 at 29,565, of which 20,785 were in the armed forces and 8,780 were civilians. Total employment was down 11,599 from 1961.¹

¹ The data in this section is largely based on the following sources: Atlantic Provinces Economic Council, *Defence Services in the Atlantic Provinces*, Research Paper No. 1, 1965; *National Defence and the Economy of the Atlantic Provinces*, an unpublished report to the Maritime Provinces Board of Trade by the Atlantic Provinces Economic Council, 1970; and correspondence with the Department of National Defence by the Atlantic Provinces Economic Council.

It has been suggested that the total military payroll, both civilian and non-civilian, in the Atlantic Provinces in 1968 approximated \$184 million and represented roughly between 7 and 8 per cent of total regional wages and salaries. In the three Maritime Provinces the payroll appears to have been in the vicinity of \$181 million, representing somewhat over 9 per cent of wages and salaries. Income in Newfoundland originating directly with the Department of National Defence is relatively insignificant. In the case of Prince Edward Island the military payroll appears to have been in the vicinity of \$10 million, or about 10 per cent of wages and salaries. In Nova Scotia the indication is that in 1968 the military payroll accounted for up to 12 per cent of wages and salaries and was at a level approximating \$120 million. In New Brunswick, at about \$51 million, the military payroll accounted for about 6 or 7 per cent of total wages and salaries.

The presence of the Department of National Defence in the region has an impact not only directly through salaries and wages and the indirect impact of these payments in further expenditures, but also in spending by the Department for capital goods, supplies, repairs, and maintenance services.

Another point is important in considering the impact of defence on the Atlantic regional economy. The incidence of defence employment (and of income, which is likely proportionately more important) is not spread evenly throughout the region. It is concentrated in such communities as Halifax-Dartmouth in Nova Scotia, Fredericton-Oromocto and Chatham in New Brunswick, and Summerside in Prince Edward Island, in each of which it supports a significant portion of the economic base.

It cannot be expected that defence requirements should be formulated to serve the interest of regional development. However, where defence considerations and the needs of regional development do coincide, every effort should be made to ensure the continuation of defence instal-

lations in the Atlantic Provinces. Furthermore, any changes in defence policy which might adversely affect employment in the region should, as far as possible, be minimized by advance discussion directed towards seeking to offset such changes by new developmental programs and activities.



Employment Outlook and Policy Implications

For reasons suggested above, it is difficult to arrive at a confident judgement with respect to the degree of future growth of service sector employment. There are strong grounds, however, for expecting continued growth in employment in the service sector, both absolutely and in relation to total employment. This reflects a continuation of the past trend and of the forecast trend for the future in modern high-consumption economies which are increasingly service-oriented. The employment target for the service sector in 1981 is 119,000 net additional jobs. The service sector would then represent 57.4 per cent of total employment, as compared with an estimated 53.9 per cent in 1971.

Much of the growth in the service sector is dependent upon the general level of economic activity in the region and in the nation as a whole. This strategy and the policies of the Department of Regional Economic Expansion are directed towards stimulating manufacturing development. As disposable income increases due to the development effort, services will expand simultaneously and in general will not require as much direct assistance. There are, however, some areas of activity and some instances in which special stimulus may be required. Urban development and industrial growth will create both the potential and the need for more specialized services in finance, scientific research activities, and other business-oriented services. It may, on occasion, be important to take special action to ensure the availability of a particular kind of service which is the key to the establishment of other industries

or because of the significance of the operation itself in the area economy. Provision does exist for assistance to commercial operations in special areas.

Recently provision was also made for loan guarantees for certain commercial undertakings in designated regions. The Regional Development Incentives Regulations define the classes of commercial undertakings to which loan guarantees are applicable throughout the designated regions as convention facilities, hotel accommodation and recreational facilities. In addition, in large centers of population, business offices, warehousing and freight-handling facilities, and shopping centers are eligible, provided that they are on a major scale in relation to the size of the community. A minimum of \$1,000,000 total capital costs is specified for an eligible project in a large center of population, and \$500,000 elsewhere. Guarantees can be provided for loans up to 80 per cent of the capital cost of the undertaking net of any federal, provincial or municipal grants, if sufficient financing would not otherwise be available on reasonable terms. The extent to which this aid will be available is not yet entirely clear. The Council will be studying, however, the adequacy of financial assistance for service undertakings in the light of the use of these additional powers and if considered warranted, will make further recommendations.

Because of its special nature, the tourism-recreation industry is treated separately from other services in this document, although the employment effects are largely reflected in the over-all activities of the service sector discussed here. In Chapter 12 we suggest that significant tourist-oriented projects should be eligible, on a discretionary basis, for financial assistance under the regional development program where necessary and where warranted by their economic importance.

Finally, mention should be made of the need to co-ordinate urban and regional planning processes with the requirements for a well-developed service industry.

CHAPTER 12

Recreation and Tourism

The resources, facilities and services that provide for the recreation and entertainment of the visitor or tourist are often the same as those which provide for the recreation of the resident. At the same time, in the context of a development policy, tourism and recreation have roles that are sometimes distinct and separate and must be evaluated by different criteria.

Expenditure by non-residents or tourists constitutes a portion of the economic base of the Atlantic region. Hence a capital expenditure program in tourism should ideally be based on economic benefit criteria. In practice, the conceptual and analytical difficulties are such that applying these criteria to tourist development programs and projects is not easy.

Resident recreation represents both an economic factor and a social need. A resident recreational plan will have a very significant impact on the quality of life in this region. Moreover, it will to some extent affect the expenditure of the region's residents outside the region; such external expenditures represent, in economic terms, the importing of services to the region.

Thus, while tourism and recreation cannot be considered in separate compartments, it might sometimes help to clarify issues which arise regarding the merits of particular programs and projects if their separate aspects were kept in mind.

Federal assistance is available, on a discretionary basis, for tourism projects. Thus commercial operations in special areas may be assisted by grants, loans and guarantees, and recent changes in the incentives legislation provide for guarantees for certain commercial services, including convention facilities, hotel accommodation, and recreational facilities in designated regions, subject to certain conditions.

In considering recreation and tourism, the Council has come to the following conclusions:

1. The recreation needs of the region's residents will require careful assessment of the demands upon the region's resources and environment. High priority should be given to planning to meet these demands and to safeguarding the resources involved and protecting the environment.

2. The provincial governments should establish programs of land acquisition for present and future recreational development in areas where land is needed and suited for recreational use.

3. Increased urbanization of the population and greater mobility will entail a greater requirement for certain types of recreational facilities, such as parks, and will put a premium on careful planning for the location of and timing of such facilities.

4. Tourism can be a source of greater employment and income. There will be opportunities in many geographic areas and sometimes these can be developed with relatively little expenditure. Major expenditures and investments should, we think, be based on a carefully selective approach. Some attempt to concentrate recreational and tourist attractions in certain centres should help to maximize tourist expenditure. At the same time, combining tourist and resident facilities will promote multiple use and help to overcome the problem of the high degree of seasonality, which is a marked feature of tourist demand in all four provinces.

5. The Council is of the opinion that tourism projects should be eligible, on a discretionary basis, for federal assistance, provided such projects are of substantial significance for the economy of the area and are part of a planned program. The Council will study the extent to which present powers in this respect appear to meet the need and may make further recommendations on this subject.

6. The upgrading of standards of service and efficiency would do much to promote a more professional approach and to improve the performance and viability of the tourist industry. The Council recommends the establishment of a re-

gional program for the upgrading of training for all occupations in the recreation-tourism service industry.

7. In the interest of providing a good factual basis for the assessment and future planning of

tourism-recreation programs and activities, the Council recommends that provincial governments continue and expand their present efforts to improve the relevant statistical and other information sources.

V Development Policies and Programs in Other Areas of Activity

In the preceding section, the Council has outlined the approaches, policies and programs which, in its opinion, are appropriate to the various sectors if they are to make their most effective contribution to income and employment opportunities.

Policies and programs for specific sectors operate, however, in a total setting of economic and social forces which shape and govern—in some cases decisively—their outcome. Some key elements of this total environment are monetary and fiscal policies, trade policy, transportation policy, education and training policies, the quality of manage-

ment, the state of industrial relations, and the nature, functioning and inter-relationships of the whole institutional structure, both public and private.

Regional development policy will be successful in significantly and permanently improving the performance of the economy of the Atlantic region only if it functions within an environment in which policies in respect of these major economic influences are co-ordinated and are working toward the same objective as the more specific development policies.

CHAPTER 13

The Implications of The Development Strategy for Human Resource Development

Certainly, over the next decade, human resource development must play a significant role in the process of economic growth and social development in the region.

The last few years have witnessed an intense concern with the role of education in economic development and an attempt to quantify the relationship. There is no doubt that cause and effect intertwine in this relationship. A relatively high educational attainment results in a higher degree of mobility, adaptability and innovation. On the other hand, the level of economic activity is an important determinant of the financial resources which can be devoted to promoting and ensuring a high level of educational attainment in a region's population.

The Economic Council of Canada has, since its inception, repeatedly drawn attention to the importance of investment in human resources. In its *Second Annual Review*, it noted that Canada's rate of growth of income and productivity over the past half century had lagged behind that in the United States over the same period, due in part to the lower level of accomplishment of the education system in Canada.¹

Despite high priority to the needs of education in all four provinces and marked improvement in standards and facilities, the levels of educational attainment are still somewhat higher in Canada as a whole than in the Atlantic Provinces.

Tables 18 and 19 show the comparative educational attainment by population and labor force for the Atlantic region and for Canada as a whole.

The Needs of The Future

Education

The financial support of education must continue to receive high priority from government. On the other hand, the educational system—and this refers to the whole broad scope of formal education—is in need of reassessment and some requirements for change in direction and emphasis are already clearly evident.

It will not be sufficient for the Atlantic region that we should direct our efforts in respect of education simply to "catching up" with the level of educational attainment in other parts of the country. If the region is to attain and maintain its appropriate place in the society of the future, the educational system must produce people with the requisite skills and adaptability. The society of the future, even more than that of the present, will be highly oriented to technology, which itself will undergo continuous rapid change. It will be the era of the increasingly rapid proliferation of knowledge and the systems which enable this knowledge to be stored, organized, disseminated and utilized.

To play an effective role in the economic life of such a society, the individual must be equipped with a firm grounding in the areas or knowledge which are the foundations of a science-oriented world. Specifically, it will require as part of the basic educational foundation, a very thorough training in mathematics and the sciences. Our elementary and secondary schools must be geared to providing high quality training in mathematics and the sciences for the great proportion of the student body.

The modern, technology/science-oriented industries of the future will require the services of well qualified technicians. The immediate implications of this are high priority, at the post-secondary schooling level, for the requirement of the technical training institutions to which we must look for this type of training.

¹ Economic Council of Canada, *Second Annual Review*, 1965, p. 93.

TABLE 18*Population,* (14 Years of Age and Over), Level of Education, Atlantic Provinces, February, 1965*

	Atlantic Provinces	Canada
	(per cent)	
Completed Elementary Education or Less	47.8	41.0
Some High School Education	32.6	35.3
Completed High School Education	13.0	15.2
Some University Education or University Degree	6.6	8.6
Total	100.0	100.0

* Excludes inmates of institutions, members of the armed services, Indians living on reservations, and residents of the Yukon and Northwest Territories.

Source: DBS, *Special Labour Force Studies, Educational Attainment of the Canadian Population and Labour Force, 1960-65.*

TABLE 19*Labour Force, Level of Education, Atlantic Provinces, February 1965*

	Atlantic Provinces	Canada*
	(Per Cent)	
Completed Elementary Education or Less	44.3	39.4
Some High School Education	29.6	31.1
Completed High School Education or More	26.1	29.5
Total	100.0	100.0

* Excludes Yukon and Northwest Territories

Source: DBS, *Special Labour Force Studies, Educational Attainment of the Canadian Population and Labour Force, 1960-65.*

At the upper end of the educational spectrum, the universities too must be expected to reflect, in their budgets and their programs, a concern for the region's immediate priorities. It is a reasonable requirement of continued public support of these institutions that they give special emphasis, direction and support—particularly in research and graduate work—to activities and problems of direct relevance to the economic future of the region and its accompanying social development.

Manpower Training and Mobility Programs

The development strategy which the Council recommends for the Atlantic region will require large-scale structural changes. In the decade immediately ahead, the adequacy and quality of manpower training and mobility programs will be a vital element in the success of the overall development program. These programs must operate to equip and assist the population of the region to meet the challenges with which they will be presented. Large-scale internal movements of population will be required, with an increasing degree of urbanization, and with the expected large shift of manpower from the extractive operations into the manufacturing and service industries. Many people will be moving from rural and small-town environments to the larger urban settings. For a large number of people, changes in occupations or jobs will be entailed. Also, there will be a large number of new entrants into the labour force—the previously unemployed, a growing number of women, as well as younger people completing their education and moving into employment. In short, a great deal of geographical and occupational mobility must occur and must be promoted and facilitated by the manpower training and mobility programs.

Imaginative and highly flexible approaches to the use of programs will be required to accommodate the great variety of situations which will arise and, specifically, to ensure that as new job opportunities open up, the people of the region are equipped and aided to take them up and make a satisfactory adjustment to new locations and new occupations.

The federal government, in co-operation with the provinces, now operates an extensive program of manpower training and mobility assistance. We have not examined these programs in great detail, but they are potentially effective instruments for bringing about the necessary adjustment between the demand and supply sides of the labour force. There must be very close co-ordination of training and mobility programs on the one side and the personnel demands of new and expanding industries on the other.

Training and mobility programs must adjust to changing needs and should be subject to constant review for their efficacy. We envisage the need in the future for more emphasis on in-plant training, as opposed to training in the academic, technical, and vocational institutions. This would appear to be a necessity in view of rapidly changing techniques and skills. It must be recognized, however, that the extent to which this is feasible is significantly influenced by the basic standards of education. As these are improved, it should be more feasible to carry out training programs as, essentially, an adaptation of adequate basic qualifications to the specific skill requirements of a trade, industry, or occupation (and relatively little need to use training programs to provide basic up-grading of education).

As the development effort gathers momentum, the need will arise for talents, skills and experience of various degrees and kinds which may be in short supply in the region. There are, outside the Atlantic region, thousands of its previous residents who, over the years, have left with their talents and training in search of job opportunities and careers elsewhere. This group should be the first target for selective recruiting outside the region; many of them would welcome the opportunity to return and make their contribution to the region's future.

It is increasingly being recognized that occupational and geographical adjustments involve more than simply the educational and technical requirements of the job. The whole life environment of

the individual and his family is affected. This must either be reflected directly in manpower and mobility programs, or met by close co-ordination of these programs with education and social development programs.

Other Policies and Programs

The Council believes that certain institutional changes should be initiated to improve the training and effectiveness of our human resource potential, thus creating a better climate for economic development.

Management Training

In our modern society, the art of managing a company has become more complex. The proliferation of new technology and the increase in knowledge generally means that management must have greater expertise than in the past and must, moreover, undergo a continuous process of education to keep knowledge and skills current. This situation poses particular problems for small businesses, which constitute a large proportion of firms in the Atlantic region. Small companies often have an owner-operator who is especially knowledgeable in one area of management, and in most cases this is production. The result of this specialization is that equally important functions such as marketing and finance tend to be given secondary consideration.

A well-developed program of management education is vital to the success of the region's development effort. While part of the development progress of the region will depend on attracting firms, as well as skilled and imaginative people, from outside the area, a substantial portion depends on expanding the existing base. This requires management-training programs tailored to the needs of managers currently operating in the Atlantic Provinces.

Recently two studies have been conducted to

determine the extent and adequacy of current management education in the region.¹ Both studies lead to the conclusion that despite some good work, the management education needs of industry are not being fully met.

The problem has various aspects. In some small firms, there is a lack of appreciation of the contribution that newer managerial techniques can make to business. In some cases, firms find it difficult or too costly to take advantage of training programs. There is a need, therefore, for measures that will make it easier for the management of firms to participate in training courses and programs. There is a need too for courses specifically designed to fulfill the requirements of local industry. For example, both of the above-mentioned studies concluded that marketing and sales are weak areas of management; both are critical to the health and expansion of the firm.

A number of universities and other institutions in the region offer management training to the business community. Much of the work is of high quality. Ways should be found of ensuring the more effective utilization of these services as well as providing for needs that are not now being met.

The Council has concluded that a Regional Management Institute should be established to promote greater co-ordination of management training in the region and to ensure more effective use of these services. An important first function of the institute would be to examine management training requirements in some depth to determine which areas of management could be best served through management education and how courses might be structured to best serve local requirements. The institute would act as a co-ordinator of management training, and would seek to foster and promote new and additional management

¹ *Management Education Survey for the Province of Nova Scotia*, by P. S. Ross & Partners, December, 1968; *Management Systems Evaluation Program: Amherst Pilot Project for the Nova Scotia Government Cabinet Committee on Planning and Programmes*, by Consulting Economists Ltd., Sept. 15, 1969.

training programs as deemed to be required. Such an institute would *not* supplant existing institutions and their activities. It would be expected in its co-ordinating role to make full use of the services and capabilities of existing institutions in the management field. Business must be strongly represented in the direction and management of such an institute, since the results must be business-oriented. In the initial phase such an institute should receive some federal assistance.

Labour Leadership Training

The manner in which labour exercises its role in the industrial, social, and economic community will be a crucial factor in the performance of the economy in the decade ahead. The 1970's will be a period of extensive and far-reaching internal structural changes, as well as of changes in the overall magnitudes of employment, output, and income. Responsible and well-trained leadership of labour will be vital if this process is to go forward smoothly, effectively and for the benefit of the people of the region.

Labour ought to have access to adequate and well-organized training facilities within the Atlantic region, for the learning and development of skills related to the role of the labour movement.

The Council therefore proposes that an Atlantic Region Labour Education Centre be established for this purpose. This organization would be designed to complement, rather than compete with, existing labour education activities conducted by the Canadian Labour Congress and its affiliated and chartered bodies. The activities of this centre would provide an opportunity for promising members in the trade unions in the Atlantic region to receive training in the skills of leadership. Activities would cover a wide range of subjects, with special reference to goals, policies, and responsibilities of the Canadian labour movement. They would seek to promote for trade union members a better knowledge of the industries in which they work and the total economic and social

framework. Some initial federal financial assistance is recommended to assist in the establishment of this centre.

The Role of Universities and Scientific and Research Institutions

It is widely accepted that there is a close relationship between education—including both academic and technical training—and economic development.

This relationship is particularly applicable to the universities and to the institutes of scientific and technical research. Modern industry, whether it is based on a region's natural resources of material or location, or whether it is of the "footloose" variety, is characterized by a high degree of dependence on scientific and technical support. There are many instances of the very direct role of universities, and of scientific and industrial research organizations, in promoting and sustaining industrial location and development, especially in the modern, high-technology industries. The influence on the economy of the New England area of the Massachusetts Institute of Technology and the array of similar institutions in the Boston area is well known. Similarly, the universities of Scotland have, in many cases, been closely geared into the development efforts there. The University of Edinburgh is heavily involved in the electronics industry—an industry which has developed in Scotland an employment of 37,000 in the space of a few years.¹

Universities in the Atlantic region have a unique and vital role to play in the economic development effort of the region by bringing their resources and talents to bear upon the solution of problems and in uncovering and activating new opportunities. It is particularly to the universities that we should look for the generation of new ideas and imaginative approaches. Moreover, it would appear that the universities may be re-thinking their role and

¹ *The Economist*, February 21, 1970.

responsibilities in relation to their position in society. Some interesting comments along these lines appear in a study recently prepared under the auspices of the Association of Atlantic Universities for the Maritime Union Study.¹ In a discussion of the university finances, the following observation is made:

“The direction in which Canadian universities are moving is clear. No longer are they the strictly private foundations of the late 19th and early 20th Centuries. No longer are they the autonomous institutions of the 1940’s and the 1950’s, relying in some measure on public support for their growth, yet essentially maintaining their old financial freedom. By the mid-1960’s the universities have become great organs of public policy, dependent upon governments for the majority of their financing, and heavily influenced by governments in the directions in which they develop.”

The same report estimates the financial needs of universities in the Atlantic region for 1975 and 1980 on two bases: a minimum basis, and a higher basis which would entail closing the gap in per student expenditures with the rest of the country by 1980. On the basis of these projections, operating income requirements for 1975 are estimated at \$181.5 million on the low basis and \$208.7 million on the high basis, compared with \$57.1 million for 1967. Capital expenditure requirements are projected at \$73 million for 1975 and \$96 million for 1980, compared with \$43.4 million for 1967. Total operating and capital requirements for 1975 are forecast on the low basis at \$254.5 million. Of this, it is forecast that about \$190 to \$215 million, in rough terms, will have to come from the public purse—from government sources.

Regardless of the specific level of university financing which is attained in the future, and the relative contribution of the various revenue sources to these requirements, it is clear that the universities in the region will make heavy demands on public funds. Governments, in considering and assessing these heavy demands, are fully justified in weighing the economic and social relevance of these institutions to the society from which they draw their support, and in expecting from them leadership and full involvement in an effort which affects the well-being of all citizens. This requires, we suggest, more relevance to the region’s problems of economic and social development in their research and development activities and in the programs of the graduate faculties. While governments must apply the test of relevancy to the universities, they must at the same time be open to receiving the contributions which these bodies can make.

In each of the four Atlantic Provinces, institutions geared to scientific and industrial research and support activities have been developed or are being developed, generally with substantial government assistance. These institutions can and should be integral components of the development effort of the four provinces and the region as a whole. The Council recommends that every effort be made by the federal and provincial governments and by private organizations to ensure that these scientific and industrial research institutions are encouraged, aided and persuaded to develop their capabilities and interests and to direct their activities in keeping with such a role.

Institute of Regional Studies

The science of regional development is a relatively new one. Theory provides some general guidelines. Something, too, can be taken from the experience of other countries. However, in most industrialized countries, specific policies and programs for regional development date back only to the 1960’s, the exceptions being the United Kingdom and Italy. Moreover, the relatively short

¹ *Higher Education in the Atlantic Provinces for the 1970’s*, a study prepared under the auspices of the Association of Atlantic Universities for the Maritime Union Study, Halifax, December, 1969.

history of special regional measures, and the fact that postwar economic growth has been characterized by cyclical movements and changes in economic and social structures, makes a realistic assessment of results of regional policies rather difficult. Regional development policies and programs, in countries where they have been adopted, have proceeded to some extent on a trial-and-error basis. It is abundantly clear, however, that whatever is useful in theory and in the experience of other countries for providing general guidelines, the specific strategy and mix of programs for any one country embarking on a regional development program must be tailored to the specific nature of the conditions and the problems there, and to the existing framework of economic, political and social priorities and constraints.

The Atlantic region may be said to largely represent the core of the regional disparity problem in Canada in terms of duration and past intractability. The area is a logical place for the development of a high degree of expertise in all aspects of regional development theory and practice. The economic and social development of the Atlantic region will require the talents, ideas, enthusiasm, and mutual co-operation of individuals and groups in many different areas of endeavour: the sciences (both physical and social), administration, engineering, education, finance and commerce, and many others.

In the world of the future, even more than in the past, the pace of development will increasingly be governed by a technology which relies on the harnessing of ideas. Any region which does not have at least a solid core of professional, technical and business people and institutions actively engaged in the application of new knowledge to the region's development is unlikely to participate in any broad or sustained fashion in industrial development.

There are in each of the provinces resources of talent, training and experience in all of these areas. These resources need to be increased, nurtured,

encouraged and increasingly enlisted in the task of regional development and growth.

The region should look largely to those whose future is identified with the region for these services. It is suggested that this would make for a more concerned and realistic approach to regional development. Moreover, the involvement of local people and institutions in these tasks would promote a build-up of information and experience to be applied to the diagnosis of similar problems in the future.

It is suggested that to encourage the faster and stronger build-up of a network of such services and expertise, to ensure more effective utilization of it, and to promote regional co-operation in the nurturing and deployment of such services, an institute of regional studies is required. Such an organization could, but need not, be closely affiliated with the universities, but would certainly require the active support and participation of the universities. It should seek to become a first-class source of knowledge and experience on all facets of regional economic development and social adjustment. It would carry out research, and it would engage in experimental programs—in some cases directly, in others, by contract with other agencies. As it acquired expertise and achieved recognition, it could become an exporter of specialized services to other regions and countries.

Such an institution would not be a competitor of, or a substitute for, existing institutions. Rather, it would ensure the availability and development of expertise in areas not yet represented in the region; it would promote more effective inter-disciplinary co-operation and effort; and it would act as a connecting channel into other pools of talent and expertise, both within and outside the region. Finally, such an institute must be so organized and structured that it is in touch with the views and aspirations of the community.

Monetary and Fiscal Policies and Regional Economic Development

Stabilization Policies and the Economy of the Atlantic Provinces

Since the end of World War II, the Government of Canada has used monetary and fiscal policies as the principal weapons of economic stabilization. There have been many occasions, however, when these national policies have been most inappropriate to the economic conditions prevailing in the Atlantic Provinces. There can be little doubt that the effectiveness of the policies of the Department of Regional Economic Expansion has been seriously impaired by the anti-inflationary policies pursued by the Government of Canada since the latter part of 1968.

Monetary Policy

Monetary policy, in the narrower sense of the term, refers to the use of specific techniques or instruments by the Bank of Canada to influence the capability or willingness of the chartered banks to create bank credit. In its wider sense, it includes the broad range of decisions and instruments designed to affect the availability or cost of credit. The Bank of Canada's influence on the cash reserve base of the banks operates through the manipulation of reserve ratios and discount rates and, especially, through open-market operations. The Bank may also influence the commercial banks' lending policy by direct moral suasion.

Monetary policy can be used as an instrument of both expansion and contraction. For present purposes, our chief interest is with the use of monetary restraint as a contractionary device. Wide disparities among regions in economic conditions are a definite handicap to the full, effective, and acceptable use of monetary restraint as an anti-inflationary instrument. Achievement of a more balanced regional development would render this a more effective tool.

Monetary policy that is based on indicators of the level and structure of economic activity in the

more prosperous regions of Canada is unlikely to be suited in kind or timing to the conditions prevailing in slow-growth regions such as the Atlantic Provinces. In these areas, characterized by unemployed and underemployed resources and lack of adequate demand, monetary restraint simply intensifies the financing problems of existing businesses, governments, and institutions, and also potential new developments. Thus the slow-growth regions bear the greater impact of intensified rates of unemployment.

Moreover, it is argued widely and convincingly that, aside from its general unsuitability to the over-all demand conditions prevailing in the lagging regions, monetary policy hits the supply and cost of credit more intensively in these areas than elsewhere. This has to do partly with the structure and size of business units, and partly with the credit-granting institutions and agencies. For one thing, small businesses are relatively numerous in the Atlantic region. They tend to be more dependent on bank finance than medium-size and large businesses which generate larger portions of their cash requirements internally and have easier access to the other avenues and sources of both equity and debt financing.

It seems also that small businesses tend to be regarded, rightly or wrongly, as greater risks than their larger counterparts. Thus in times of tight money, when all loans are likely to be more closely scrutinized, one would expect that applications from small businesses would fare less well. There is some evidence that this, in fact, does happen. The Council is of the opinion, on the basis of careful enquiry and personal observation, that the effect of tight money is more severe on small borrowers. To provide more concrete evidence of the nature and extent of this differential effect, the Council is making a study of aspects of the impact of monetary policy on the region, especially as this affects the cost and availability of financing for small businesses.

In analyzing data on loans made by Canadian banks from April, 1956 to September, 1957 and

from June, 1959 to March, 1960—both periods of monetary restraint—Dr. A. K. Cairncross in his 1961 report to the Atlantic Provinces Research Board found that the amount of loans over \$100,000 actually increased during the first period and fell only slightly in the second period, while the amount of loans under \$100,000 experienced a sharp decline in both periods. He concluded that the squeeze fell almost exclusively on smaller borrowers during the first period, and that during the second period the reduction in smaller loans was both earlier and more severe than in the case of the larger loans.¹

In his study, Professor Cairncross suggested that slow-growth areas in Canada, like the Atlantic Provinces, might be exempted from the full force of credit rationing during periods of monetary restraint. He pointed out that such a policy had been adopted in the United Kingdom.

The current period of monetary restraint, which began in the fall of 1968, sharpened and clarified the issues of a need for regionally differentiated monetary policy. The need for better adjustment of monetary policy to differing regional needs now is being recognized. This is reflected in the following statement on monetary policy from the 1969 Annual Report of the Bank of Canada:

“The Bank of Canada has requested the co-operation of the chartered banks on a number of other matters. In order to soften the impact of tight credit conditions on less prosperous areas of the country, the Bank of Canada has asked them to have special regard for borrowers in those areas. The Bank has also asked the banks to pay particular attention to loan applications from small businesses throughout the country since, unlike large corporations, they do not normally have alternative sources of credit.”²

¹ A. K. Cairncross, *Economic Development and the Atlantic Provinces*, sponsored by Atlantic Provinces Research Board, Fredericton, N.B., February, 1961.

² Bank of Canada, *Annual Report of the Governor to the Minister of Finance for the year 1969*, p. 13.

This change of policy is also evident in the following statement by the Governor of the Bank of Canada:

“In view of the length of the effort that has been and may continue to be required, I believe that this means that in addition to over-all measures of restraint, we shall have to lay increasing emphasis on trying to develop selective policies—policies which are designed on the one hand to blunt the sharp edge of restraint on particularly exposed sections of the community and particular areas, and which are designed on the other hand to pinpoint the sources of inflationary pressure and try to deal specifically with them.”¹

This evidence of a willingness and desire to shape and modify monetary policy to accommodate the differing needs of the lagging regions is welcome. It does not appear to have been very effective, although it would be difficult to substantiate conclusively just what its impact has been. Nevertheless, it is a step in the right direction and the Bank of Canada is to be commended for this change in policy.

Moral suasion by the Bank of Canada is not, however, the only method by which the federal authorities can make monetary policy more flexible so as to meet regional needs. A number of federal institutions are concerned with the supply of credit to the private sector of the economy. These national institutions should be encouraged, to the extent that it is possible and feasible, to adjust their policies to regional needs. For example, the Central Mortgage and Housing Corporation and the Industrial Development Bank could both play a most useful role in maintaining income and employment in the Atlantic Provinces when economic policies generally are concerned with restraining inflationary pressures in the rest of the national economy.

¹ Mr. Louis Rasminsky in a speech to the Canadian Club of Montreal, February 2, 1970.

At the present time, the published statistics give little or no indication as to the incidence of monetary policy in the various regions of the country. The Bank of Canada should provide, periodically, estimates of regional money supplies and bank loans on a regional basis. Such information would increase the efficiency of policy-making at the regional level.

Fiscal Policy

Fiscal policy is concerned with the taxation and expenditure policies of government. In Canada, three levels of government—federal, provincial and municipal—raise and spend public funds. Both the level and sources of tax revenues, and the magnitude and direction of government spending, greatly influence the general level of activity, as well as the structure and distribution of that activity.

The federal government, with its strong taxing and borrowing powers, assumes the major responsibility for changes in fiscal policy in Canada. There is a need for regionally differentiated federal fiscal policies. A limited step in this direction was made in mid-1968 when a two-year deferral of capital cost allowances on certain types of commercial construction in a number of cities in Ontario, Alberta and British Columbia was imposed. It is not clear how effective this has been, but it represents an encouraging attempt to temper broad national policies by modifications adjusted to the nature and location of the problem.

One of the most powerful ways in which fiscal policy can be adjusted to differing regional needs is, of course, by alterations in the weight and structure of federal expenditures. In a region where federal expenditures intensify the competition for scarce resources, it is most appropriate that such expenditures be reduced to promote price stability. Such a policy is not appropriate, however, in a region where resources are unemployed and underemployed. Adjusting federal expenditures to regional economic conditions

was considered by Dr. Cairncross to be the most direct method of offsetting the impact of restrictive national policies on the economy of the Atlantic Provinces.¹

Conclusion

It has been argued that "... regionally pinpointed stabilization measures increase the efficiency of stabilization policy."² This is because flexible policies can maintain the employment of resources in a lagging region at a time when restrictive policies are being applied in the nation as a whole. Certainly, such policies are vital to the long-run success of regional development policies.

It is the total impact of economic policies on the economy of a lagging region that is important. Special measures to promote regional development are meant to supplement and reinforce basic policies that are generally favourable to economic growth. If this is not the case, special policies may be simply compensatory, rather than reinforcing.

The powers and responsibilities of the Department of Regional Economic Expansion under the Government Organization Act, 1969, and the Regional Development Incentives Act, are such as to give this department a good deal of influence in co-ordinating federal policies in the Atlantic Provinces. It must use this power to ensure that its infrastructure and financial incentive policies operate as an addition to other policies whose general effect is growth-promoting.

¹ A. K. Cairncross, *Economic Development and the Atlantic Provinces*, sponsored by the Atlantic Provinces Research Board, Fredericton, N. B., February, 1961.

² S. Engerman, *Regional Aspects of Stabilization Policy*, in L. Needleman, ed. *Regional Analysis*, Penguin Books, 1968.

CHAPTER 15

Financial and Tax Policies

Many businesses in the Atlantic Provinces are relatively small. Their growth in the 1970's, however, must make a substantial contribution to the region's development. In preparing a regional development strategy, the Atlantic Development Council gave considerable attention to federal financial institutions catering to the needs of the smaller business enterprise and to tax policies of particular importance to these enterprises.

Industrial Development Bank

The Industrial Development Bank was established in 1944 to encourage industrial development by providing capital assistance to business enterprises in Canada, particularly those of smaller size which are unable for various reasons to obtain financing elsewhere on reasonable terms and conditions.

The IDB financing is available to help establish, expand, and modernize businesses. Besides financing new buildings, machinery and equipment, alterations and land purchases, the Bank will under some circumstances provide loans to strengthen working capital. The bulk of the loans approved are for amounts of \$100,000 or less, reflecting the particular consideration given by the IDB to the financing problems of small enterprises, as required by the Industrial Development Bank Act. Rates of interest on new loans change from time to time in keeping with the general level of interest rates in Canada. The Bank may also participate in equity financing and underwriting agreements, although it appears that this provision is rarely used.

Table 20 shows the extent of the use of the IDB in the Atlantic region in the 1964-70 period. The picture changes quite noticeably between 1968 and 1970. The number of loans in the Atlantic region declined through 1964-68 and the amount of loans in 1968 was less than in 1964. The 1968 number of loans for the Atlantic region was 12.9 per cent below that for 1964, compared with an increase of 20.7 per cent for Canada as a whole

over the same period. The amount of new business loans in the Atlantic region in 1968 was down 9.4 per cent from 1964, compared with an increase of 36.4 per cent for Canada as a whole. The significant jump in number and value of loans between 1968 and 1970 may reflect the influence of tight money in sending would-be borrowers to the Bank as a lender of last resource. If one compares the 1964-70 period, the number of loans in the Atlantic region shows a 77.5 per cent increase, compared with 72.1 per cent for Canada, and the value of loans for the Atlantic region increased 72.1 per cent, compared with 86.8 per cent for Canada. Even in 1970, however, the Atlantic region accounted for only 6.2 per cent of the total volume of loans authorized in that year. Thus current lending is less than proportional to population, but more than proportional to manufacturing output.

Since authorized loans reflect both demand and supply conditions, it is difficult to establish to what extent the Bank is meeting the credit needs of small businesses. There is evidence, however, that while the IDB is a lender of last resort it has a definite "banking" approach, the most significant difference between it and the commercial banks being that IDB loans are medium-term. As a general rule, the security for an IDB loan takes the form of a first charge on the fixed assets of the borrowing business. For an incorporated business, the personal guarantee of the owner for at least a portion of the loan may be required. It has been suggested that this requirement is onerous and restricts the usefulness of the Bank as an instrument of industrial finance.

Small Businesses Loans Act

Another instrument of industrial financing is the Small Businesses Loans Act, which came into force in January, 1961. The purpose of the Act is to "increase the availability of term credit from the chartered banks to small businesses to assist them in financing a wide range of capital im-

TABLE 20

Industrial Development Bank, Loan Approvals During Fiscal Year Ended September 30, Atlantic Provinces and Canada

	1964	1965	1966	Number 1967	1968	1969	1970	1964	1965	1966	Amounts (\$000) 1967	1968	1969	1970
Newfoundland	60	46	45	31	31	38	81	1,982	1,588	1,508	1,092	1,315	1,290	2,100
Prince Edward Island	4	7	10	8	17	16	34	61	278	373	515	355	447	804
Nova Scotia	62	51	56	45	44	92	116	2,122	2,356	2,375	1,516	1,565	3,692	3,750
New Brunswick	52	62	59	60	63	120	85	1,747	1,794	2,719	3,084	2,124	5,119	3,521
Total Atlantic Provinces	178	166	170	144	155	266	316	5,912	6,016	6,975	6,207	5,359	10,548	10,175
CANADA	2,083	2,209	2,334	2,168	2,515	2,988	3,584	88,148	96,146	122,647	113,132	120,253	153,440	164,628

Source: Annual Report, Industrial Development Bank, 1969 and 1970.

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TABLE 21

Loans under Small Businesses Loans Act, Atlantic Region and Canada, 1961-69

	1961	1962	1963	1964	1965	1966	1967	1968	1969	Percentage Change 1961-1969
Number of all New Loans										
Atlantic Region	236	210	151	152	183	146	112	114	83	-65
Canada	2,977	2,833	2,558	2,847	2,835	2,187	2,073	1,103	1,452	-51
Amount of all New Loans										
Atlantic Region	1,923,453	1,913,348	1,364,458	1,516,299	1,569,496	1,277,740	1,145,312	1,091,065	1,013,535	-47
Canada	25,582,269	25,687,434	23,279,517	26,534,207	26,033,094	20,095,355	20,700,738	11,190,027	16,321,795	-36

Source: Annual Reports, Small Businesses Loans Act, Department of Finance

provements".¹ Recently, the Act was amended to enable not only chartered banks but also credit unions, trust companies, insurance companies and loan companies, to take advantage of government guarantees.

Under the Act, lenders are guaranteed against loss on their loans to small businesses up to a specific percentage of the amount on loan, i.e. 90 per cent on the first \$125,000 in loans; 50 per cent on the next \$125,000; and 10 per cent on all loans in excess of \$250,000. The guarantees apply to a maximum of \$150 million by all eligible lenders during the current lending period, i.e. to June 1971.

Eligible borrowers are business enterprises with an estimated gross annual revenue of not more than \$500,000 that are engaged in manufacturing, services, trade, transportation, construction and communications. The maximum loan is \$25,000 and the maximum repayment period is 10 years. Loans are available for the purchase of fixed or movable equipment, the purchase or construction of new premises and the improvement or modernization of premises, but not for refinancing or for working capital requirements.

From the inception of the program in 1961 until the latter part of 1968, the rate of interest charged by banks on business improvement loans was held to a maximum of 5½ per cent, as a condition for the government guarantee. As the general level of interest rates in Canada and elsewhere rose, this relatively low rate was reflected in a smaller volume of activity under the Act. Now, however, the rate of interest is adjusted every six months under a formula which ensures reasonable comparability with other rates.

Table 21 shows the extent of activity under the Act in the Atlantic region and in Canada since its inception in 1961 to date.

It will be noted that activity under the Act tapered off quite definitely and sharply from 1966. There

¹ Small Businesses Loans Act, *Annual Report*, 1968.

was some slight revival in 1969 for Canada as a whole, although in neither numbers nor amounts did loans regain the levels of earlier years. This increase in activity probably reflects to some extent the effect of the increase in interest rates available on these loans; to some extent, too, it may reflect increased resort to the Small Businesses Loans Act as a result of greater difficulty of would-be borrowers securing funds elsewhere.

In the Atlantic region, both the number and value of loans has dropped significantly since 1966, and in 1969 there was a further decline in both number and amount in contrast with the experience for Canada as a whole. From 1961 to 1969 the number of loans for the Atlantic region dropped 65 per cent compared with 51 per cent for Canada as a whole, while in dollar terms the decline was 47 per cent for the Atlantic region and 36 per cent for Canada as a whole.

It would appear, therefore, that for one reason or another the usefulness of the Small Businesses Loans Act is limited and has been declining. The relatively low rate of interest has probably been a factor; there was little incentive under such a rate for the banks to encourage borrowing under the Act. Enquiries made by the Council suggest that in the Atlantic region knowledge of and familiarity with the Act, on the part of both banks and credit seekers, leaves much to be desired. There have also been suggestions that applicants are in many cases not able to provide the collateral security or personal guarantees which are sometimes required despite the government guarantee. An extension of the maximum loan period—now limited to 10 years—should enhance the usefulness of the Act. It should be remembered, too, that both the size of loan and the definition of small business are in terms of dollars which have been significantly deflated in value since the inception of the Act. This limits the usefulness of the Act and the amounts should be revised in the light of current prices. The \$25,000 maximum on loans is certainly far too small. There is evidence, also, that there is a strong correlation between the development of banking and financial services

and the use of this, as well as other sources of financing.

Improved Financing Arrangements for Business

While the Industrial Development Bank and the Small Businesses Loans Act serve a useful purpose, the needs of business are not fully met. The present institutions appear to be conditioned, either by convention or by operating requirements, to a very cautious approach. Concern for the commercial soundness of an operation is, of course, important and appropriate. However, a lack of flexibility in arrangements or approach will inhibit worthwhile activities. It is also clear that financing must be available for operations which definitely entail a degree of risk-taking.

There are various ways of improving access to financing for business in the region. Consideration might be given to a completely new financing agency for industry in the Atlantic region, such an agency to replace existing agencies and to be empowered to offer a wide variety of financing arrangements to industry in the region. This idea has some apparent attractions, including the advantage that such an agency could act as a central clearing-house for all financial requirements of businesses, and could approach the examination of such requests from the viewpoint of broader economic assessments in the light of development plans for the region. However, there are also good arguments against setting up a completely separate set of institutions for one region where similar institutions are also required at the national level. Thus it seems on balance desirable to retain such institutions as the Industrial Development Bank and to try to improve its usefulness by changes in its powers and methods of operation so that it performs a more effective role in quickening the pace of industrial development in the region. Specifically, the Bank's mandate to act in the area of equity capital should be broadened, if necessary, and policy should be directed towards increased equity

financing in the region. Consideration should also be given to ways of more effectively tapping and mobilizing local sources of capital for projects in the region. For example, the United States Small Business Administration assists in the establishment of Local Development Corporations. Local citizens invest in a profit or non-profit corporation to help finance firms which wish to establish in the community.¹ Under this program the resources of the community, local lending institutions and the Small Business Administration are combined to provide debt and equity financing for small business opportunities. The SBA also makes loans to State Development Companies to help provide equity capital and long-term loans to small businesses.

Whatever the actual methods chosen, it is apparent that more can and should be done to provide improved access to capital for firms in the Atlantic region.

Tax Policies

Special tax treatment for certain groups or categories of industries, or for certain institutions or types of business organizations, are a long established feature of fiscal policy in Canada, as well as many other countries.

Of overall general concern and interest at present are the Federal Government's *Proposals for Tax Reform*, and the probable effects and impacts of proposed changes.² These will affect the economic development of the Atlantic region both through the effect on the functioning of the national economy and, more specifically, through their influence on investment, capital formation and incentive in the region. It has been stressed elsewhere that regional growth will be facilitated by,

¹ R. E. Simpson, *A Comparison of Canadian and United States Industrial Financing Arrangements*, Department of Regional Economic Expansion, Ottawa, 1969.

² *Proposals for Tax Reform*; Queen's Printer, Ottawa, 1969.

and in fact will be dependent upon, a satisfactory and sustained growth and development of the national economy. The Council feels that, at this stage of the country's development, a concern for growth and the arrangements and institutions which foster it deserves very high priority. Therefore, changes that threaten growth through discouraging or making more difficult capital accumulation and investment, or by the sudden withdrawal of existing special arrangements, as in the proposed changes in the taxation of the mining industries, are a matter of concern as to timing. It should be remembered that any such effect experienced in the nation as a whole can be expected to be experienced in intensified fashion in the Atlantic region.

One aspect of the *Proposals* of particular concern to the Atlantic region is the proposed change with respect to the taxation of small businesses. It is proposed that the "dual rate" of taxation, under which there is a low rate of 21 per cent on the first \$35,000 of taxable profit, would be eliminated, and business profits of incorporated companies would be taxed at a flat rate of 50 per cent. The stated aim of these changes is equity. It is proposed to integrate the personal and corporate tax system, to avoid past abuses of the dual rate, and to put incorporated small businesses on an equal footing with those judged to be their competitors.

The likely consequences of the sudden removal of the dual rate are serious for the Atlantic region, where many businesses are small, and where the proposed changes, by reducing the cash available annually to these businesses, will seriously impair their ability to expand. The dual rate of taxation was established in explicit recognition of the need of small businesses for expansion capital. Not only do small businesses have more limited access to external sources of funds than larger corporations, but they are also likely to pay higher costs. Certain concessions as offsets or compensations to the proposed withdrawal of the dual rate are offered in the *Proposals* but they would not appear to meet the problem. The Report of the Royal Commission on Taxation, while it proposed withdrawal

of the dual rate, was still concerned with the problems of small firms in financing capital expenditure and recommended an arrangement of capital cost allowances.

The removal, at this time, of the special arrangements whereby small corporations are assisted to accumulate capital for expansion, is inconsistent with other policies for improving the performance of the regional economy. If, for compelling reasons of internal consistency, it cannot be retained in its present form, then arrangements fully equivalent to the effect of present special provisions should be made to meet the financing needs of small businesses.

There is another aspect of taxation which is of particular significance to the region because of the preponderance of small private concerns and the problem of capital accumulation for expansion and investment. This relates to estate taxes. The death of the proprietors of a private company may confront the heirs and hence the company with a heavy cash burden. It is not easy to suggest a solution. The Voluntary Planning Board of Nova Scotia has recommended that if the *Proposals for Tax Reform* are accepted, no level of government should impose estate taxes or succession duties, but that if the Federal Estate Tax is continued, Nova Scotia should give serious consideration to rebating its share of the tax to the beneficiaries.¹

The subject is also discussed by Professor T. Wilson in his report on *Financial Assistance with Regional Development*. Professor Wilson considered the possibility of lower tax rates in some provinces. He pointed out, however, that the capital which would benefit from such a remission would not necessarily be invested in local private companies, and that it might therefore be desirable to confine the lower rate of tax to the part of the estate so invested.²

¹ Nova Scotia Voluntary Planning Board, *Brief on Tax Reform*.

² Professor T. Wilson, *Financial Assistance with Regional Development*, Report prepared for the Atlantic Provinces Research Board, Fredericton, N.B., 1964, p. 42

External Trade

The economy of the Atlantic region has historically been, and continues to be, export-oriented to a large degree. Total exports from the Atlantic Provinces to foreign countries amounted to an estimated \$564.3 million in 1965, rising to approximately \$802.1 million in 1969. Exports account for roughly 20 per cent of Gross Regional Product, almost the same relationship as between total Canadian exports and Gross National Product.

Principal Exports

The principal exports of the Atlantic Provinces are forest, mineral, and fish products. Together, they account for well over 80 per cent of the value of all exports. During the period 1965 to 1969, forest products accounted for between 33 and 41 per cent, minerals between 24 and 36 per cent, and fish products between 16 and 19 per cent of export value.

Among the forest products, newsprint and woodpulp are by far the most important. The export value of newsprint in 1969 was \$169.3 million, equal to over one-fifth of total export value, while the value of woodpulp exports was \$115.6 million, accounting for about 14 per cent of the total. Lumber and pulpwood exports were valued at \$17.8 million and \$11.8 million, respectively, in 1969.

Iron ore is the most important among the mineral group, accounting for close to one-quarter of total export value between 1965 and 1968, but dropping to about 16 per cent in 1969. The 1969 value of \$125.9 million is a decline from \$185.8 million during the previous year and is related to a strike in Newfoundland. The 1969 values of zinc, lead and copper exports were \$20 million, \$9.4 million and \$15.1 million, respectively.

In the fish products group, the export value of shellfish amounted to \$45.7 million in 1969, while exports of fresh and frozen filleted fish were valued at \$43 million, frozen blocks and

uncooked sticks at \$17.6 million, salted and dried fish at \$17.8 million, and whole or dressed fish at \$11 million.

Destination of Exports

Approximately two-thirds of the exports of the Atlantic Provinces to foreign countries were directed to the United States during the 1965-69 period. In value terms, exports to the United States rose from \$351 million in 1965 to \$545 million in 1968, dropping to \$520 million in 1969.

The United Kingdom took approximately one-tenth of regional exports between 1965 and 1969 ranging from 7.0 per cent in 1967 to 12.9 per cent in 1969.

The share of exports of the Atlantic Provinces going to the European Economic Community during the period also approached 10 per cent. The European Free Trade Association, excluding the United Kingdom, represents a relatively insignificant market for regional exports at about one per cent of the total.

Approximately 4 per cent of all exports were sold in markets in the West Indies during the period 1965-69. The South American market took around 2 per cent of regional exports and the remainder, approximately 9 per cent, was sold in a wide range of markets around the world.

Export Potential and Policy Implications

As has been emphasized, the Atlantic region's export trade is mainly resource-based and the largest external market is the United States. As a result of this concentration, three basic questions arise. The first concerns the future of the principal export groups within the existing structure of commercial policy. The second centres around the possibility of diversifying the export base, also within the existing commercial policy structure. Finally, some consideration is directed to

the effect on the volume and product distribution of exports, should there be a trend toward trade liberalization. It seems certain that the export value of forest, mineral and fish products will continue to grow during the 1970's. The rate of growth will depend, of course, on the rate of growth in foreign, particularly American, demand and on the continued competitiveness of regional products.

Perhaps a more important question relates to the region's ability to develop a broader range of export products within the existing, or a slowly changing, structure of commercial policy. In this respect, it should be noted that although forest, mineral and fish products dominate the regional export picture, there is a rather wide range of other products now produced in the Atlantic Provinces and sold in a variety of external markets. For example, in 1969 about \$21 million in fruit and vegetable products, and almost \$25 million in chemicals and chemical products, were exported from the Atlantic Provinces. At the same time, industrial and agricultural machinery and implements valued at over \$9 million, and transportation and communication equipment worth almost \$11 million, were exported. This suggests that it is not so much the existing level of tariffs, as it is the generally underdeveloped industrial base which restricts the growth of exports and produces an export dependence on resource activity.

An assessment of the potential impact of trade liberalization on the Atlantic Provinces involves consideration both of those activities which might be adversely affected by trade liberalization and those which might be beneficially affected. A study by Professor J. F. Earl,¹ based on 1964 data, would seem to lead to the general conclusion that the protected sector in the Atlantic Provinces is small and that problems of re-allocation of

resources resulting from the elimination of tariffs should not be excessive, involving only a small portion of the total labour force. There are, on the other hand, a number of Atlantic Provinces manufacturers who should benefit by the removal of foreign trade barriers. Many firms already have the skills, productive capacity and distribution facilities to increase exports almost immediately. For example, certain firms in frozen vegetable, fruit, and fish industries should be able to expand production quickly in response to a larger export demand. There would also appear to be a high probability that potential gains would accrue to firms in other sectors, particularly wood product manufacturers, where producers enjoy comparative advantages. Some increase in the degree of manufacture of forest, mineral and fish products should also be expected if foreign trade barriers were lowered.

In summary, the reduction of trade barriers would appear to entail a limited adverse effect on existing activities *as a whole* (some operations might be individually seriously affected), much improved possibilities for a number of other activities, and a generally more favourable environment for development. A more liberalized trading relationship, with the United States particularly, would foster the north-south trading patterns which are more natural to the region than an east-west orientation. The Council considers that Canadian trade policy must be directed toward opening up new and expanded foreign—and especially United States—markets for the Atlantic region. Trade policy must be concerned not only with the level and structure of tariffs, but equally with non-tariff restrictions which, in some instances, are an equal or greater barrier to exports.

Finally, a reduction of tariffs could be expected to bring about a decrease in prices and hence an increase in the real income of consumers.

A point that deserves special mention in a discussion of the region's external trade is the position of the Maritime potato industry. As a report of the

¹ An unpublished study (1970) prepared by Professor John F. Earl of the Department of Economics at the University of New Brunswick, *Potential Impact of Trade Liberalization on Canada's Atlantic Provinces*.

Federal Task Force on Agriculture¹ pointed out, the Maritime potato industry "has, or potentially has, a comparative cost advantage vis-a-vis central Canada and the eastern United States because of advantageous soil characteristics, lower labour cost and land values". It recommended that the Canadian government take the required initiative in the direction of free trade in potatoes with the United States. The Council has already made such a recommendation and strongly endorses this recommendation of the Task Force.

Special arrangements for duty treatment should be considered as possible instruments of development policy where appropriate, and where projects significant to the region are at issue. For example, a special trade arrangement has already been concluded as an added incentive to the location in Nova Scotia of two plants by an international manufacturer of automobile tires. The manufacturer has been granted direct financial assistance by Nova Scotia's Industrial Estates Limited and the federal Department of Regional Economic Expansion. The trade concession involves removing the duty on imported tires for a period of three years, thus permitting the firm to bring in duty-free for this period a range of tires not manufactured in its Canadian plants. Canadian production will be within a narrow range of lines, and 85 per cent of tires produced in Canada will be exported. Thus there has been a combination of the regional industrial incentive program and a flexible approach to commercial policy, in the interest of encouraging industrial expansion in the Atlantic Provinces. This type of special arrangement may make a substantial contribution to economic growth in the region in the 1970's.

As one aspect of the use of industrial development policy as part of a comprehensive approach by the federal government to regional development, special attention should be given to selective federal assistance for export-oriented industries

and operations. The recent announcement by the Minister of Industry, Trade and Commerce of a special program of assistance for the building of ships for export—an activity of particular relevance to the Atlantic region—is an example. The Council fully supports the approach demonstrated in this program and recommends that similar programs of assistance be developed for other appropriate export activities.

The existence of potential opportunities in trade emphasizes the importance of good management, specifically in the marketing area. In the recent past, several special marketing programs have been sponsored by both the federal and the provincial governments to promote more active and successful participation in export markets by firms in the region. Activities under these programs have included special participation in trade fairs, seminars and workshops for management, and market-familiarization tours. The results of these programs have demonstrated that in many instances there is much unexploited potential that can be activated by a positive marketing approach.

¹ Report of the Federal Task Force on Agriculture, *Canadian Agriculture in the Seventies*, Queen's Printer, Ottawa, December, 1969.

CHAPTER 17

Transportation Policy

Transportation policy for the Atlantic region must be an integrated element of the overall economic development strategy for the region and must reflect and facilitate the requirements of that strategy.

To a large extent, transportation policy for the Atlantic region has reflected strong emphasis on the cost aspect, particularly the level of rail rates. Transportation costs will continue to be a crucial factor in the ability of the region to maintain and expand markets.

The role of transportation in economic development obviously varies with the level of development that has been attained by the economy in question. In the early phases of the growth process, cost of transportation may well be a dominant factor. In later stages, however, as resource input declines relatively and, conversely, the service input rises, the quality of transportation services assumes increasing importance. The transport component of total industrial costs has tended to decline over time. Moreover, with industrial development there are an increasing number of products with high value-to-weight ratios, products which are better able to bear transportation costs.

The implications for the Atlantic region of the strategy advanced in this document, are increasing emphasis on improvement in the quality of transportation services, a continuing concern for restraining the general level of transportation costs, and, on the question of transportation cost assistance, a more selective approach which reflects growing knowledge of and agreement upon the most appropriate lines of industrial development and the significance of transportation costs to these operations in their major market areas.

The Maritime Freight Rates Act

For a long time, a keystone of transportation policy for the Atlantic region has been assistance under

the Maritime Freight Rates Act (MFRA). Enacted in 1927, it provides for a rate subvention on rail traffic originating within "select territory"¹ and destined either to points within select territory or to Canadian points outside select territory. Initially a subsidy of 20 per cent in both cases, the external subsidy was increased to 30 per cent in 1957.² It was designed "to afford to Maritime merchants, traders and manufacturers the larger market of the whole Canadian people, instead of the restricted market of the Maritimes themselves".³ Certain traffic is excluded from this assistance—traffic to or from the United States, eastbound traffic, and import traffic.

While it is generally agreed that the Act kept class and commodity non-competitive rates below the level at which they would otherwise be, it was unable to maintain the pre-existing rate relationships between the various rate territories. The growth and development of modes of transport competitive with the railways in Quebec and Ontario—primarily motor truck competition—resulted in the establishment of competitive rates, destroying the rate relationship which the MFRA sought to preserve. Moreover, in the region itself, MFRA is generally agreed to have impeded the development of highway competition for the railways. Until July, 1969, truckers received no direct transport subsidy whatsoever. At that time, assistance was extended to traffic moving by highway transports from the region to other parts of Canada and the internal subsidy now is to be provided to truck traffic within the Atlantic Provinces.

¹ Select territory is defined to include all of the Atlantic Provinces and that portion of Quebec south of the St. Lawrence River and east of a line drawn from Levis to Diamond Junction.

² The outside subsidy is provided only on that portion of the total rail haul lying within select territory.

³ 17 George V, Chap. 44, Preamble.

Over time, the Maritime Freight Rates Act and its effects have been the subject of increasingly critical analysis.¹

Atlantic Provinces Task Force on Transportation

The views of the four provincial governments on the MFRA were contained in *The Basic Elements of an Atlantic Provinces Transportation Policy*, dated March, 1969.² This report states that special regional transportation assistance has a continuing role to play in the economic development of the Atlantic Provinces. It stressed as well that the vehicle through which such assistance is provided must be flexible—capable of adapting to changing circumstances and conditions. The report recognized the need for revisions in MFRA and, specifically, in the intra-regional subsidy subject to certain qualification, to explicit recognition of the special transportation needs and problems of Prince Edward Island and Newfoundland and Labrador and, provided that any changes were implemented with care, to provide safeguards against adverse effects upon existing industries and the potential for economic growth in the region.³

The report also suggested the extension of the westbound subsidy to traffic moved by all modes, the eventual selective application of the westbound subsidy, the provision of assistance for such services and facilities as increased “pooling” arrangements, specialized transportation equip-

ment, central terminal facilities and strategically located warehouses. The report further recommended provision for assistance on transportation costs for selected inputs required by manufacturing and processing plants in the region, and for transportation assistance on products shipped to markets other than markets throughout Canada.

In summary, it was suggested that assistance should be available to Atlantic industry for a variety of transportation and distribution costs which would permit Atlantic industry access to markets in the region, in Canada and outside it. A federal-provincial agency, federally financed, was to be set up to administer the Maritime Freight Rates Act assistance and the other recommended types of transportation assistance.

Recent Developments—MFRA

Certain changes affecting transportation in the Atlantic region were introduced by the Atlantic Region Freight Assistance Act, which received Royal Assent on July 9, 1969. Among other things, the Act made provision for the varying or removing of the subsidy on traffic within select territory, and for the payment of special assistance to shippers, consignees and carriers within select territory, to enable them to compete on more favourable terms with shippers or consignees located outside select territory.

To provide advice and recommendations on the disposition of the 20 per cent internal rail subsidy, a Federal-Provincial Committee on Atlantic Region Transportation was appointed.

A statement by the Minister of Transport on July 10, 1970 indicated that the federal government would move quickly to implement key recommendations of the committee report. The statement indicated an early reduction of the internal rail subsidy to 17.5 per cent from 20 per cent and the extension of an equal subsidy to truck traffic within the Atlantic

¹ See Reports of the Royal Commissions on Transportation, 1951 (Turgeon Commission) and 1961 (MacPherson Commission); also Economist Intelligence Unit, *Atlantic Provinces Transportation Study*, London, E.I.U., 1967.

² The Province of Prince Edward Island had certain reservations regarding these proposals and expressed only tentative approval in principle.

³ *The Basic Elements of an Atlantic Provinces Transportation Policy*, March, 1969, pp. 10 and 12.

region.¹ The subsidy would then be gradually phased out, beginning April 1, 1972, and terminating April 1, 1977. A further change would be a reduction of approximately 25 per cent in truck ferry rates to Prince Edward Island and Newfoundland, to bring them into line with the charges paid by the railways (rail cars on the ferries). The Minister also indicated that provision would be made for annual review by the Committee to monitor the effects of changes in the internal subsidy.

The move toward an examination of blanket-type transportation subsidies and their replacement by more selective measures is a move in the right direction. Insofar as the external rail subsidy is concerned, there is not sufficient detailed knowledge of its incidence and effect to permit specific recommendations at this stage. It should, however, be subject to the same kind of examination and assessment as that applied to the internal subsidy, to determine whether more selective measures would make a greater contribution to the future development of the region. The Council is of the opinion that provision should be made for selective assistance on inbound movements of certain inputs required by manufacturing and processing firms in the region.

Air Transportation

The development effort in the Atlantic region must, of necessity, involve the expansion of the manufacturing sector. Many secondary industries have characteristics that place special demands upon the transportation network. Primary among these are the necessity of close contact with customers, rapid technological change, and quickly changing market conditions. All of these require ease of movement at short notice.

Several regional studies in Canada and elsewhere emphasize the importance of good facilities and ease of communications for industrial development in the regions which face the problem of reaching markets outside their immediate boundaries.¹

The implication for the development effort of the Atlantic region is clear. Fast, efficient and reliable air transportation is a requirement to enable the region to compete effectively in its external markets.

The requirements of quick and easy personal communication and their relationship to development suggest that the question of the quality of air service should be considered primarily in the context of the growth centres. These, together with provincial capitals, where the two do not coincide, would seem to demand the highest quality of air service. This is the case because the lack of fast and efficient service here would be most damaging to the growth effort.

The quality of air service both within and to and from the region is uneven. A major problem—one that varies among the various regional points—is the number of intermediate stops that are made, reducing the quality of service. Efforts ought to be made to increase the number of direct non-stop connections between the major regional points and the major external centres which are relevant to the region's development efforts—particularly Montreal, Toronto, Ottawa, Boston and New York. Similarly, there is a need for improvement in terms of number and convenience of flights between various pairs of the major centres of the region—Halifax, Sydney, Saint John, Moncton, Fredericton, Charlottetown, St. John's and the Corner Brook-Stephenville-Deer Lake area.

¹ Regulations providing for the payment of transportation subsidies to highway carriers on traffic moving within the Atlantic region were published in December, 1970; the internal rail subsidy was also reduced from 20 per cent to 17.5 per cent.

¹ See Joseph C. Mills, *Industrial Location, with Special Reference to the Atlantic Provinces*, unpublished report for the Atlantic Development Board, Ottawa, 1965; W. F. Luttrell, *Factory Location and Industrial Movement: A Study of Recent Experience in Great Britain*, Cambridge University Press, London, 1962.

Two particular problems should be singled out. Connections between regional points and Charlottetown are particularly inadequate. A second specific problem is the high flight-cancellation ratio at Saint John. Since Saint John is planned as a major growth centre in the region, every effort should be made to overcome this situation.

The need for air service is not, of course, confined to provincial capitals and industrial growth centres and we do not attempt here to comment on all such requirements. Certain areas must have air service because of the absence of reasonable alternative modes of access. This is particularly applicable, for example, to locations in Labrador. In addition, other areas which constitute important centres of activity may require good air service because of the distance from the main air service points of the region; a case in point is the northern New Brunswick area and the areas of the Strait of Canso, Antigonish, and New Glasgow.

The existing network results from the interaction of a number of factors—intensity of demand, distribution of airports, and aircraft availability. Despite these and cost considerations, failure to improve the quality of air connections within the region and between the region and important external centres would be short-sighted and a definite handicap to the success of development policies and programs.

Atlantic Region Transportation Requirements

The transportation problems facing the Atlantic region have been distance from markets, an imbalance in traffic flows, low volumes shipped, poor quality of transport service in some respects, a lack of integration among competing carriers, and a relatively low level of development of trucking services. Such problems have been common to the four Atlantic Provinces. In addition Prince Edward Island and Newfoundland have faced additional and distinct transport difficulties—the quality of ferry service, the inhibiting effects

of the ferry service on the trucking industry, and the shortage of specialized transportation equipment.

The problems of distance have tended to be seen largely in terms of transport costs; hence the emphasis in the past on freight rate assistance. The costs of transportation and associated distribution charges are still highly relevant to the economic development needs of the region and, in specific cases, will be decisive factors. Increasingly, it is being recognized, however, that there are other and (in some cases) equally important problems arising from distance: distribution and marketing problems; service and delivery problems; lack of close contact with suppliers. Quality of service thus becomes of increasing importance as a factor in industrial location.

The quality of transport services in the region, in many cases, leaves a good deal to be desired. Increasing the amount and quality of competition would seem to be a method of both increasing the quality of service and reducing transportation costs. Steps have been taken which will encourage the growth of trucking services.

The significance of distribution problems for the regional producer suggests careful consideration of the case for centralized warehouse facilities and pooling arrangements.

The economic future of the region will depend to a large extent on the development of a stronger manufacturing sector. Broadly speaking, the products of secondary manufacturing tend to have a high value-to-weight ratio, thus increasing the area over which products can be transported. Here, availability and quality of services, including ease of personal communications, will be important influences.

Transportation policy must assist regional producers in reaching and competing in their markets. To a large extent, the region's markets of increasing importance lie to the south—in the United States and elsewhere along the Atlantic seaboard. The

Central Canadian markets, while declining relatively, can be expected to increase absolutely. In the future, efforts should be directed toward ensuring that the region has the facilities and services of both a kind and quality that permit convenient transportation of goods and easy personal communications at reasonable cost. This requires high quality air service between the main regional centres and between these centres and a few key centres outside the region. It also requires a well developed system of highways giving good internal connections and easy access to external markets. Much has been done to improve the region's highway system in recent years. To the extent that there are still deficiencies in the main highway system, the program should be continued. Beyond such a point, highway programs should be very critically reviewed for their direct relevance to specific development needs and opportunities. It is recognized that in the Province of Newfoundland and Labrador, more so than in the other provinces, there is still a considerable need for highway expenditures of a more basic type to provide greater ease and speed of general communication and transportation.

For some trade routes and for some commodities, the lack of adequate shipping services still constitutes a barrier which prevents firms from exploiting export opportunities in areas and for products in which they are otherwise competitive. This is a problem which requires specific study with the object of devising solutions.

Finally, and perhaps most importantly, transportation policy in respect of the Atlantic region must recognize and exploit the region's potential locational advantages in the light of certain fundamental changes in the technology of transportation and potential trade possibilities. These are already reflected in the establishment of container services at the region's two leading general traffic ports, Halifax and Saint John, and the establishment of a deep-water oil terminal at Saint John. Transportation policy at both federal and provincial levels should be directed at searching out and supporting opportunities based on the advantages of the

region's location and its deep-water endowment in an age of superships. Long-range planning for major ports is vital to protect land access for future needs—including the requirements for highway and railway connections and the appropriate location of port-oriented industries.

An Administrative Structure for Regional Development

The involvement of government with the process of regional economic development has grown rapidly in the past decade. In the Atlantic region, government policies are now a major influence on development efforts. There are few significant development projects undertaken which do not have some element of public support in grants, loans, labour-training or some other type of assistance.

Regional Development— The Federal Approach

The approach of the federal government has now been rationalized and co-ordinated to a large measure through the creation of the Department of Regional Economic Expansion. The activities of this department represent the main thrust of the development effort of the federal government in the Atlantic Provinces.

The activities of many other federal departments and agencies also relate directly to and influence strongly the pace and direction of development. This includes a broad range of agencies from those with specific operational and research responsibilities to those such as the Department of Finance and the Bank of Canada which largely determine the general monetary and fiscal environment of both the country and the region. It cannot be too strongly stressed that regional development will be successful only if a high degree of co-ordination in relevant policies and programs is achieved. Because of its powers and responsibilities, the Department of Regional Economic Expansion is in a position to achieve a large measure of co-ordination. Beyond this, however, the federal government must take positive measures to ensure that consistency of major policies affecting regional development is attained or if, because of overriding national reasons, some aspects of policy conflict cannot be directly resolved, appropriate offsetting measures are taken for the Atlantic region.

Finally, the federal development effort in the Atlantic region must undergo continuous evaluation; it must be subject to periodic and systematic monitoring of policies and programs in terms of objectives and timing.

A Regional Approach by The Atlantic Provinces

The regional aspect of development planning is becoming increasingly pertinent. Most programs and agreements are, of course, negotiated separately with each province and are based on separate planning efforts. Inevitably, however, development planning is being influenced by federal government requirements.

In these circumstances, some structure or arrangement at the provincial level for the exploration and development of a regional approach—at least on major matters of policy and direction—should be created to ensure the presentation and advancement of the regional point of view, from the standpoint of the provinces.

The Atlantic Development Council is the only formally established body charged with the responsibility to advise the federal government on the development problems of the Atlantic region. There are, however, no formal facilities for joint discussion, planning, or action by the provincial governments of the region. There is no formal vehicle whereby the provincial governments of the region as a group can meet with the federal government to discuss, agree upon and plan for the needs of the region and the policies and programs required to meet them.

As a first step in this direction, we would suggest the establishment of an annual or biannual conference between the Atlantic premiers, the Minister of Regional Economic Expansion, and other appropriate representatives of both levels of government.

The Federal-Provincial Conference would be a means whereby both levels of government could meet on common ground to exchange views on the direction and pace of development efforts. An annual joint conference to review the progress of the region, to resolve differences in policy, and to formulate joint policy goals, could be invaluable at this time. Eventually, as this arrangement evolved, it might be desirable to establish for the four provinces a permanent secretariat to develop a regional approach to development problems.

Whatever arrangement is adopted, there is a clear need for some mechanism to foster co-ordination in economic planning and co-operation in some areas of endeavour, on the part of the four provinces. A concerted approach will, in the long run, permit each province to more fully exploit its own particular advantages and assets.

Municipal Structure and Economic Development—The Need for Change

The existing municipal structure of the Atlantic Provinces developed largely in response to geographic factors and to the economic and social forces and patterns of an earlier day. With the present state of communications and transportation and the changed economic and social patterns, the boundaries, structures and responsibilities of municipal units are, in many instances, no longer suited to the requirements of a healthy and growing economy. The forces that affect a locality do not respect geographic, legal or jurisdictional boundaries. Failure to recognize and adjust to this fact is reflected in serious problems of physical, economic, and social planning, in the tax base, and in revenue allocation.

Elsewhere in this document, we have stressed the importance of co-ordinated planning, of careful screening and selection of priorities for action, and of specialization of function—all of which are requirements for a successful development effort. In the absence of an appropriate municipal structure, all of these things will be difficult to achieve.

The need for action is particularly urgent in respect of locations which are, or aspire to be, important centres of the provincial and regional economies.

A study commissioned by the Atlantic Development Board to examine the role of urban centres in the Atlantic Provinces in economic growth, contains the following observation:

“Deliberate pursuit of the potential of the urban region is a clear way to maximize growth centre potential quickly. Unfortunately, antiquated municipal structures tend to inhibit the achievement of this objective by working against functional specialization.”¹

Indeed, it is implicit in the concept of special area plans that the planning base, i.e. the area or region, must be logical in terms of the economic and social factors at work.

In the Atlantic region, there have been, in the past decade or so, a number of steps taken to change municipal structures and powers. This has taken the form, sometimes, of a province-wide re-arrangement and re-adjustment of powers and responsibilities in a number of areas of jurisdiction, e.g. in New Brunswick. In other cases, it has involved only certain specific areas of jurisdiction, e.g. consolidation of school administration districts. There have been several instances of amalgamations or annexations affecting the boundaries of municipal units. In still other cases, regional planning or co-ordinating bodies with varying degrees of functional responsibility have been established for geographic areas which encompass a number of separate municipal entities.

There are in the Atlantic region a number of areas where there appears to be a clear need for some form of broader regional organization. Some of these have already been the subject of study. Others are under examination. In some areas,

¹ *Urban Centres in the Atlantic Provinces*, Atlantic Development Board Background Study No. 7, Queen's Printer, Ottawa, 1969, p. 88.

planning and co-ordinating bodies have been established to mitigate, in the interim, some of the problems and disadvantages of fragmented municipal organization. Some of the areas where both the need for and the benefits of a changed municipal organization and structure seem clear are: the Moncton and Fredericton areas in New Brunswick; the St. John's area in Newfoundland; and, in Nova Scotia, the Halifax-Dartmouth area, the industrial area of Cape Breton, the Pictou-Stellarton-New Glasgow complex, and the Strait of Canso area. The specific nature of changes in boundaries or institutions, or both, which may be desirable must be assessed in the light of the cir-

cumstances and conditions prevailing in each instance. Failure to secure the benefits of planning and action on the basis of appropriate regional units will, however, prove to be costly. It is, we suggest, primarily the responsibility of the provinces to see that these essential changes in municipal organization are actively promoted.

There are other areas in each of the provinces where the question of municipal re-organization may be less pressing, but where, nevertheless, the creation of arrangements and institutions for co-ordinated planning and for co-operative action will be very fruitful.

VI The Shape of the Future

The Economy of the Atlantic Provinces 1971-1981

In this document are set forth the main policies and measures which the Council considers necessary for the Atlantic region to achieve a high and self-sustaining level of growth and development. Some of these policies and measures are concerned with providing a better general environment for development; others relate more directly to industrial stimulation; still others are directed to the changes in institutions, organizations and structures necessary to permit and promote the appropriate response to development opportunities.

This strategy requires the involvement of governments at all levels—federal, provincial, and municipal—private enterprise, public and private institutions, and individuals, in the development effort.

Development will require planning. The great weakness of regional development efforts in the 1960's was the lack of comprehensive planning. Planning requires co-ordination among federal, provincial and municipal governments and between the public and private sectors of the economy. Planning also requires the establishment of priorities—the rating of objectives in order of importance, and the allocation of resources in a manner which will efficiently achieve those objectives.

The Council believes that, if the proposed strategy is adopted and vigorously pursued, the Atlantic region will succeed in the next decade in providing its people with much more adequate employment and income opportunities.

It is, of course, impossible to forecast the results of particular economic policies with any high degree of precision. We are living in a period of rapid social and economic change. Development policies, over the next decade, must change as circumstances change.

This strategy was prepared by the Atlantic Development Council over the year 1970 on the basis of the knowledge and the circumstances of that time. It is intended as a guide—a limited guide—

to the measures required to bring substantial improvements in the economy and the society of the Atlantic Provinces.

In its deliberations, however, the Council did have a conception of the kind of place it would like the region to be in the early 1980's. It would like to see poverty well on its way to being eliminated in the Atlantic Provinces and the region achieving the full employment of its labour force. It would like to see more of our young people making their careers and homes in the region, instead of being forced to migrate. It would like to see our cities and towns spacious, well-planned, and free from water and air pollution. It would like to see the real incomes of workers in our primary industries very much higher than they are today. It would like to see a substantial improvement of the relative position of the Atlantic Provinces within the national economy of Canada.

To achieve these ends, the economy of the region must become more urbanized and more industrialized than it is today. This is dictated by the social and technological imperatives of our time. In looking to the future, the Council made some rough calculations as to the ways in which a successful development strategy might change the distribution of the employed labour force of the region over time. They are set out below as indicators of the magnitudes of change believed to be desirable.

Some people in the Atlantic Provinces may see no need for change. Others would agree that change is necessary, but they fear its consequences. Even if the "status quo" were acceptable—and it is not—this is not the real alternative. There is no standing still in the modern world. The real alternative to a successful development effort which will bring the region into the mainstream of participation in the nation's economic life, is that the region will retreat still further to the margins of participation.

TABLE 22*Employed Labour Force, by Sector, Atlantic Provinces, 1971, 1976 and 1981*

Sector	1971		1976		1981	
	000's	per cent	000's	per cent	000's	per cent
Primary	93	14.6	83	11.3	61	7.6
Manufacturing	98	15.4	118	16.2	148	18.3
Supporting	103	16.1	120	16.4	135	16.7
Services	344	53.9	410	56.1	463	57.4
Total	638	100.0	731	100.0	807	100.0

Beyond 1981

The foregoing deals with the possible evolution of the economy of the Atlantic Provinces over the next decade; a few thoughts can be offered about the possible changes in the economy of the region to the year 2000. To date, no "futurologists" have been tempted to apply their skills to the problems of the Atlantic Provinces over the next generation. They have looked in some detail, however, at the United States economy and society, and some Canadian social scientists have been tempted to peer far into the future.

In the United States, Daniel Bell forecasts the development of the "postindustrial society".¹ This society will be "service oriented" rather than "product oriented". He foresees that the service industries will continue to grow until they dwarf the industries producing physical products.

In Canada, Dr. Arthur J. R. Smith, Chairman of the Economic Council of Canada, recently gave a most interesting address on "Canada Towards the Year 2000—the Economic and Social Environment".² Dr. Smith sees the future structure of the Canadian economy evolving in a similar way to Daniel Bell's conception of the United States' economy. The process of development will continue, he thinks, to favour the continued relative growth of the service sector of the economy, as compared with the commodity-producing industries; at the same time, the shift away from the primary sector will moderate.

Dr. Smith suggests that the population of Canada might be 25 million in 1980, 29 million in 1990 and 33 million in the year 2000. Canada will be "an essentially urban economy", with perhaps 90 per cent of the population living in the urban areas at the end of the century. In his address, the Chair-

man of the Economic Council dealt with regional development as follows:

"An important aspect of future urban growth is that it is likely to become the dominating factor affecting the regional structure of Canada. In spite of major disparities in natural resources which will give relative advantages to some regions, and in spite of the probability of a tremendous growth in tourist travel and recreational activities also favouring geographic dispersal of various activities, the frontiers of Canada's future economic development will increasingly be found in our cities. The net growth in employment will occur almost entirely in the cities. And the net growth in total output and income will undoubtedly also occur almost entirely in the cities. Any effective progress towards narrowing the large and persistent regional disparities which have existed in Canada will therefore have to take place in this context. And this, in turn, implies the need for a redirection of many aspects of regional development policies, both federal and provincial, in the future."

The implications for the Atlantic Provinces are fairly clear. Over the next 30 years, the region should become increasingly urbanized. Most of the economic growth will occur in the larger cities. The service industries will predominate as a source of employment.

Rough population projections indicate that, even in the year 2000, the region will be far from densely populated. The population at that time should be still well below the three million mark—say around 2,700,000. This is an increase approximately equal to the present population of New Brunswick. Thus the population of all four Atlantic Provinces at the end of the century should be only slightly above that of the present population of Montreal.

With the growth in leisure time, the rising significance of services, particularly travel and recreation, in consumption patterns, and the growing appreciation of a good environment, the natural attrac-

¹ Daniel Bell, "The Year 2000—The Trajectory of an Idea" in *Journal of the American Academy of Arts and Sciences*, Summer 1967, Vol. 96, No. 3, pp. 639-651.

² An address delivered to the 50th Anniversary Conference of the Society of Industrial Accountants, Toronto, June 17, 1970.

tions of the Atlantic region will be an increasingly valuable asset. The tourist industry, geared to both summer and winter vacations, should provide well paid, year-round jobs to thousands of people in the Atlantic Provinces.

Over the next few decades, the region should once again become "ocean-oriented", applying its efforts and talents to activities based on the sea and occupying a position of leadership in this field.

Many "futurologists" predict that by the year 2000, most North Americans will be living in one of a few great megalopolises of tens of millions of people. One of these will stretch from Montreal to Toronto and beyond. It will constitute a large part of the Canadian economy and the Canadian society.

Most present and future citizens of the Atlantic

Provinces will want no part of living in these great megalopolises. They will continue to prefer to live in relatively small cities, where a half-hour drive will take one to the forests or the seashore. They will prefer to live closer to nature, in areas free from congestion and water and air pollution.

In the year 2000, the Atlantic Provinces can be a much better society than it is today. Indeed, it should be able to offer living standards equal to that of any other part of the North Atlantic area. To enter into this inheritance, however, we must plan more precisely, we must work more effectively, we must conserve more intelligently, we must work together more comprehensively towards expanding and strengthening the economic base of our region to provide profitable and dignified employment for ourselves and our children.

LKC
HC 117 .M37 A75 1971
A strategy for the economic development
of the Atlantic Region, 1971-1981

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