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**Regional
Economic
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and
Opportunities
in
Canada**

**Excerpts from a statement by
the Honourable Don Jamieson,
Minister of Regional Economic Expansion**

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This booklet contains substantial excerpts from a statement made by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons, on April 10, 1973. These excerpts are concerned with the results of a review of regional economic circumstances and opportunities and with possible new approaches for joint federal-provincial efforts to stimulate regional development in Canada.

In his statement, the Minister also dealt with some of the details of the Departmental Estimates for the fiscal year 1973-74 and with the results of a technical assessment of the regional development incentives program. Copies of the full statement of the Minister, and additional copies of this booklet, can be obtained by writing to the Information Division, Department of Regional Economic Expansion, Ottawa, K1A 0M4.

This is my first appearance as Minister of Regional Economic Expansion before the Standing Committee on Regional Development—a Committee with a special interest in an important aspect of government policy that is already having quite an impact and that will help to determine the future shape of Canada and the quality of life available to present and future generations of Canadians. I am very pleased to be here.

The Committee is meeting this year at a particularly significant point in time. My Department is nearing the end of a major review of its policies and programs. I will be launching very soon an important round of consultations about the results of that review with each of the provincial governments. On the basis of those consultations, decisions will be made about the future direction of federal efforts in the field of regional development. I intend today to share with the Committee my present thinking about these matters in the hope that, before meeting with the provincial governments, I will have the benefit of advice from Members of Parliament representing all political parties and all parts of the country.

... I am going to assume that members of the Committee are reasonably well aware of the background. I think they know that, when the Department of Regional Economic Expansion was established in 1969, it was given a broad mandate to bring together a number of predecessor programs and to develop a much more comprehensive attack on regional economic disparities. I think they know that the Department was quickly organized; that it gave new impetus to the programs it inherited, notably those concerned with rural development; that it introduced major new programs placing an increased emphasis on federal support for public investment in infrastructure as a means of developing selected urban centres and on federal financial incentives as a means of stimulating private investment in job-creating plant and equipment; that it reinforced its initial momentum with subsequent initiatives, notably those providing for different kinds of development corporations in the Atlantic Region and for assistance to agricultural service centres in the Prairie Region; and that it was provided by Parliament with authority to increase its expenditures from \$240 million in its first year to over \$500 million in its fourth year of operation. Finally, I think members of the Committee know that the great bulk of its activity has been carried out under federal-provincial agreements, providing it with a unique and challenging experience with cooperative working arrangements between the two senior levels of Canadian government.

Generally speaking—and I hope members of the Committee will allow an obviously personal observation from a Minister with a deep interest in the problem of disparities—the Department has established a record of innovation and effort with which I am proud to be associated.

Because of new ground being broken in a complex and largely unexplored field, it was understood from the beginning, in the context of a long-term federal commitment to the basic objective, that a degree of experimentation would be required and that, with the passage of time and the accumulation of experience, modifications and even basic changes in Departmental policies and programs would have to be considered. This was reflected in a number of public statements. It was reflected also in some of the underlying law—for example, in provisions of the Regional Development Incentives Act setting time limits on the periods during which applicant companies could bring projects into commercial production and remain eligible for the payment of offered incentive grants.

Against this background, a decision was made last spring to undertake a major review of policies and programs. The provincial governments were informed of the decision and were assured that the results of the review would be the subject of consultation with them as soon as possible in 1973. I would like to make it clear that, until consultations with the provinces have been completed, no final conclusions about our findings will be drawn and no final decisions about basic changes in existing programs or major new initiatives will be made.

The review has been conducted in what I consider to be a very thorough manner. A large number of studies have been made, using staff drawn from different parts of the Department and other federal agencies and a variety of outside consultants. Quantities of valuable information have been sought and obtained from the provincial governments. And, particularly in the latter stages of the review, there has been a substantial amount of inter-departmental discussion in Ottawa.

Although a good deal of attention has been paid to existing programs, particularly the regional development incentives program, the review has been essentially forward-looking, concentrating heavily on analyses of regional economic circumstances and opportunities—the types of analyses that, in our view, should make a valuable contribution to decision-making about ways and means of improving the effectiveness of federal-provincial efforts to reduce regional disparities and produce more balanced economic growth across Canada.

. . . . The work that has been done indicates that most of the [existing] programs are producing useful results at a reasonable cost, helping to achieve goals established when the Department was set up. There have been some

false starts, some assumptions destroyed by experience, some expectations unrealized, some errors of judgment. I am not sure it could have been otherwise. I have no doubt, however, that the slow-growth areas of the country are feeling the effects of the DREE programs and that the effects are essentially good for the whole country. I have no doubt either that most of these programs are focussing on factors that are important in the process of economic development. The improvement of land utilization under ARDA; the provision of irrigation and other forms of water supply under PFRA; the emphasis on mechanisms of social adjustment in some of the badly disadvantaged areas covered by FRED programs; the provision of support for roads, sewer and water supplies, serviced industrial land and other forms of essential infrastructure in selected urban centres; the availability of financial incentives to encourage job-creating investment: I know of no one who would argue that any of these factors could be safely ignored, at this stage in our progress as a nation, in seeking to improve economic performance in the slow-growth regions.

It is possible, however, that single-factor programs cannot be expected, by themselves, to maximize the potential of these regions. In working with my officials, and in discussion with my colleagues, I have become increasingly impressed by the range of opportunities for economic development that exist in most parts of this country and by the large number of public policies and programs that . . . could be brought to bear upon a concentrated effort to realize some of these opportunities. This is what has led me to speak publicly in recent weeks about the possibilities inherent in a "multi-dimensional approach"—an approach that would call for the identification and pursuit of major developmental opportunities by means of the coordinated application of public policies and programs, federal and provincial, in cooperation where appropriate with elements of the private sector. I intend to explore this concept with the provincial governments and am prepared to consider its use as a basis for new federal-provincial initiatives in the field of regional development.

Application of the concept would require continuing analyses of regional and provincial economic circumstances and opportunities. As part of our own policy review, as I mentioned earlier in my statement, we have devoted most of our resources to analyses of this kind. Staff papers setting forth the results of our work have been prepared for the Atlantic Region and each of its four provinces, for Quebec and Ontario, for the Western Region, each of its four provinces and an area called the Western Northlands that was arbitrarily defined for analytical purposes. These papers are now being edited and will soon be made available to the provincial governments as part of the federal contribution to the forthcoming consultations. I hope to be in a position, in due course, to make copies available to the members of this Committee or to table them in the House.

I would now like to summarize in a very brief way some of the highlights of our analyses of regional economic circumstances and opportunities. In doing so, I should make it clear that, although based on a fair amount of staff work, the opportunities to which I will be referring, here and later in the provincial consultations, do not represent federal commitments or federal proposals for provincial or regional developmental strategies. They are designed simply to illustrate the potential advantages of an approach to development based on the identification and coordinated pursuit of major developmental opportunities.

Before moving to the regions, let me note the national context.

During the 1950's and 1960's major economic advances occurred in Canada. The Gross National Product increased over four and one-half times, showing a compounded annual growth rate of 7.6 per cent. During these years, population rose by about 55 per cent and G.N.P. per capita tripled. In the same interval, total public and private investment increased more than four-fold. By the end of the 1960's, the level of investment activity in manufacturing was over five times what it had been in 1950. Both the labour force and employment grew very rapidly, far more rapidly than in most other countries.

The picture of rapid economic growth was reflected most clearly throughout the 1960's in and around the major urban centres of Southern Ontario, and in Vancouver, Edmonton and Calgary. In the early and mid-sixties Montreal too was a focal point of growth in the economy. This strong performance by the economy as a whole, and the relative concentration in regions surrounding the major urban centres to which I have referred, tended to highlight the disparity between slow-growth and high-growth regions. In addition, a labour force expanding more rapidly than in any other industrialized nation in the western world combined with substantial productivity improvements to produce a high level of unemployment as the seventies began, despite continuing growth in employment and production.

It is in this setting of a strong national economy that the analyses of various regions should be viewed.

Let me start, most appropriately, with the Atlantic Region. The difficulties which this region has experienced in keeping pace with national economic

growth over the past several decades are well known and do not need to be chronicled. One of the most encouraging aspects of our analysis, however, is a rather clear indication that the region has been strengthening its position over the past ten years and that the rate of improvement has been gaining momentum. Population growth has been relatively slow compared to the average for Canada as a whole, reflecting substantial and continuing out-migration. But the out-migration has been on a declining plane in recent years. Income levels in the region continue to be the lowest in Canada, with earned income in 1971 at about 68 per cent of the national average. Again, however, the trend is a cause for some optimism, because the comparable figure was less than 65 per cent of the national average in the early 1960's.

Perhaps the greatest reason for real optimism, in looking to the future, is the strong showing of the Atlantic Region in total capital investment. In 1951, the annual rate of investment per capita in the Atlantic provinces was only about 60 per cent of the average for Canada as a whole. At the beginning of the 1960's, it was at the 70 per cent level. Throughout the following decade, a steady improvement took place with the comparable figures turning sharply upward at the end of the period to reflect over 90 per cent of the national average by 1970. Between 1966 and 1971, the average rate of increase in investment in the region exceeded 8 per cent per annum, while the average in Canada was slightly in excess of 5.5 per cent.

The figures for capital investment in manufacturing over the past few years are even more dramatic. Between 1961 and 1966, the average rate of increase in manufacturing investment in Canada was slightly less than 18 per cent, while in the Atlantic provinces it was slightly more than 19 per cent. Between 1966 and 1971, annual manufacturing investment growth in Canada was less than 2 per cent while in the Atlantic Region it was nearly 11 per cent. In many ways, it is capital investment that reflects the ability of an economy to strengthen its future performance—and here the picture has been improving markedly.

In spite of this pattern of investment, net employment growth in the Atlantic Region has been less than half the rate for the economy as a whole. For men, the total number of jobs remained almost static in the middle and late 1960's, as increased employment in manufacturing was offset by a rapid drain of jobs from natural resource sectors, particularly agriculture and forestry. The heavy investment in capital facilities in the natural resource areas, while boding well for future productivity, had the effect in this period of replacing men with capital. The result was that increased employment in manufacturing and service industries was largely offset by decreased employment in the resource areas.

There is some real evidence that rationalization of the natural resource sectors will move at a substantially slower pace in future years, with the

result that more net benefit will be apparent from the continued investment in processing and manufacturing facilities and a related expansion in service activities. It is worth noting that growth of employment for the Atlantic Region, which was running at an annual level of three to four thousand in the period from 1967 to 1969, increased to a level of nine thousand in 1971 and about seventeen thousand in 1972.

There appears, then, to be ample reason for continued and even more aggressive efforts to stimulate economic growth in the Atlantic Region, and for a belief that such efforts have good prospects for success.

Some of the characteristics of the region that are not brought out by standard economic indicators may prove to be particularly relevant to the course of economic development policy in the future. It is a well accepted fact that a very high proportion of the total demand in the Atlantic Region is met by products and services from outside the region. As a result the indirect employment impact of direct jobs created in the region tends to be significantly lower than would be the case if the same number of jobs were inserted, for example, into the economy of southern Ontario. One of the reasons for this performance lies in the fact that the two million people of the Atlantic Region are dispersed across the provinces and form a series of small markets, with centres such as Charlottetown, Moncton, Fredericton, Saint John, Halifax, Sydney, St. John's, Corner Brook, Stephenville and others being tied as much to centres outside the region as they are to one another. In these circumstances, much of the business and commercial service function that would otherwise generate second-round employment from investment and direct employment creation in the region tends to be siphoned-off and to find its way back to the central commercial areas of the country. Among a range of possibilities for initiatives in improving the rate of development in the Atlantic Region still further, efforts to meld the region into an effective internal market of two million people could be particularly productive.

It is becoming increasingly apparent that technological advances in transportation are among the changes occurring during the past several years that may be of great significance to regional development. Nowhere is this development potentially more important than in the Atlantic provinces. The continued expansion in trade between North America and Europe and the continued development of containerization of general cargo may hold substantial opportunities for tying the economy of the Atlantic Region more fully into the dynamics of national and international markets. Furthermore, the use of very large carriers is only now becoming common in the movement of bulk commodities and the Atlantic provinces possess the lion's share of the deep-water harbour potential on the eastern coast of North America.

The economic circumstances of the Western provinces present a striking contrast to those of the Atlantic Region. In the Atlantic, resources tend to be varied in character, ranging from forestry to minerals to agriculture to fisheries, but limited in absolute size. In the Western provinces, the overwhelming characteristic is vastness in the scale of both resources and the geography itself.

The economy of Western Canada is marked by rapid development and change and a concentration on resource exploration, development and processing as the principal engines of growth. It tends to be characterized by a high degree of efficiency and response to both economic opportunities and economic pressures. Given the limited population of the region, and the vast distances both within the region and between the region and other population centres in North America, economic growth as a whole has tended to ebb and flow in close relation to the demands of the natural resource sectors.

The continued capitalization of the agricultural industry has reduced the rate of employment creation in Saskatchewan to a point where the provincial population remained almost completely static over the 1960's and in fact declined during 1969, 1970, 1971 and 1972. A similar pattern was reflected in Manitoba but with effects on the provincial economy slightly less overwhelming than in Saskatchewan, primarily because of the capability of the large metropolitan area of Winnipeg to generate manufacturing and service employment and the development of additional resource-based employment in the northern part of the province. Thus, the picture of a growing and dynamic west could in the past decade be applied realistically only to Alberta and British Columbia and, in those provinces, primarily to the major centres of Calgary, Edmonton and Vancouver.

There appears, then, to be a marked and accelerating tendency for the growth of Western Canada to be concentrated in the major urban centres of Alberta and British Columbia. If this tendency continues, difficulties in maintaining viable non-resource activity in Saskatchewan and Manitoba are apt to become progressively greater, particularly in the context of a Northern Ontario economy that is expanding very slowly and that tends to be characterized by migration both east and west. Saskatchewan and Manitoba are experiencing a growing degree of isolation from both western regional markets and markets in the rest of Canada. In addition, the traditional role of Winnipeg as a distribution, service, financial and commercial centre for the West may be undermined in future years if customers to be serviced by these functions continue to be progressively more concentrated at greater distances from Manitoba.

Within this general context of a dual growth pattern in the west as a whole, there is within each province a duality between vast rural areas struggling to maintain viable small communities and urban centres—urban centres which,

in Manitoba and Saskatchewan, are the focal points for provincial migration from rural areas and which, in Alberta and British Columbia, are increasing rapidly in size as a result of migration both from outside and from provincial rural areas.

The challenges facing regional development policy in the west can perhaps be defined best in terms of a need for diversification and balance. These concerns are relevant both to the development of the region as a whole and to the development of each province within the region.

An additional element in the socio-economic picture presented by the west is a growing concern for the special difficulties being experienced by the people of the northern portions of the four provinces. Across the Western Northlands there is a dichotomy between high income and high mobility in the resource centres and extreme poverty and relative immobility in remote communities. In some situations, increased activity in resource development could aggravate the situation already facing seriously disadvantaged residents in the rural and remote northern portions of these provinces.

If one considers only the rate of unemployment and per capita income levels, it could be argued that there is no reason for great concern about the course of development in the western provinces. It is true that income levels in Saskatchewan from time to time fall drastically below national figures, as receipts from the agricultural sector fluctuate; but, in general, unemployment rates are well below national averages; and levels of earned income are either near the national average, as in Manitoba and Saskatchewan, or above the national average, as in Alberta and British Columbia. Some of the factors in the regional economy to which I have referred suggest, however, that there may be reasons for concern beyond those suggested by these broad economic indicators.

The reasons for concern present a challenge. But changing circumstances in international trade, growing demands for resources and resource-based products and the evolution of the region itself provide cause for optimism that the challenge can be met.

The regional market in the four western provinces now includes more than five million people, more than half of whom live in seven urban centres. The developing market base is already providing a stimulus to regional business services but this potential for regional development is only beginning to be realized. With fast and efficient transportation and communication within the region, opportunities exist for diversifying and expanding the economic base of Western Canada by servicing the demands of its affluent and expanding urban centres.

Agriculture, forestry and fishery resources, combined with the large non-renewable resources of the region, will continue to provide a base for increasing employment and production. Opportunities appear to be substantial, particularly in processing primary products, manufacturing goods based on these products, manufacturing material and supplies required for exploration, production and processing, and supplying a range of services associated with these industries. The challenge will be to optimize the benefits and achieve balanced and stable growth from the opportunities available. Special efforts may be required if Saskatchewan and Manitoba are to participate significantly in western growth and if the growth is to be reflected in viable rural areas and viable smaller urban centres.

Quebec, unlike the Atlantic Region or the west, has achieved a very high degree of both urbanization and industrialization. In 1971, only 19 per cent of the total Quebec population lived outside urban centres; nearly half of it lived in metropolitan Montreal.

The Departmental analysis of the Quebec economy indicates continuing reasons for concern about long-term trends and the quality of the industrial structure. It indicates a great potential for development. And it reveals some encouraging signs of recent improvements in performance.

Dating back to 1946, population growth in Quebec has tended to be more rapid than in the Atlantic provinces but has been consistently less rapid than in Ontario and the west. Between 1966 and 1971, the Quebec rate of population growth dropped rather substantially, moving considerably more slowly than the comparable rate for Western Canada and at less than half the rate for Ontario. For the first time since the Second World War, the province experienced net out-migration in 1970 and 1971. Between 1966 and 1971, the Ontario population growth included a net in-migration of 382,000 people while the Quebec population growth for the same period reflected a net out-migration of 34,000. In 1972, however, migration again made a modest contribution to population growth in Quebec.

Personal income per capita in the province increased from a level reflecting 83 per cent of the national average in 1951 to one reflecting 90 per cent of the national average in 1967 but showed a relative decline thereafter, reaching a level of 88 per cent in 1971. A comparison between Quebec and Ontario

is relevant because of the roughly similar industrial and urban compositions. Personal income per capita in Quebec showed a relative improvement between 1950 and 1967, moving from 70 to about 79 per cent of the Ontario average, but a relative decline after that, reaching a level of approximately 76 per cent in 1971. These personal income relativities reflect a combination of somewhat lower productivity and wage rates in the Quebec economy, together with a higher rate of unemployment. For the past ten years, unemployment in Quebec has on average been 88 per cent higher than in Ontario and slightly more than 33 per cent above the level of unemployment for the country as a whole. This pattern has remained more or less constant, with minor variations from year to year.

You may recall that in discussing the Atlantic Region, the performance of that region in investment was cited as one of the reasons for optimism for the future. In Quebec, over the past decade, the level of investment in the economy as a whole, and in some key sectors affecting its performance, was not encouraging. Although data are sketchy, it appears that 1972 may have produced significant signs of improvement. Preliminary estimates show new investment in Quebec rising 17 per cent over 1971 compared to an increase of 7 per cent nationally. Advances appear to have been made in all principal sectors except housing and government institutions, both of which held steady. New investment in the primary sector rose from 13 per cent of the national total in 1971 to 18 per cent in 1972. On a similar basis, manufacturing rose from 18 per cent to 22 per cent, utilities from 19 per cent to almost 21 per cent and trade and finance from 20 per cent to 22 per cent. The preliminary estimates for 1972 also indicate improvement in the investment performance of Montreal.

These figures give some indication that the Quebec economy is responding both to economic opportunities and the efforts of the federal and provincial governments. The apparent recovery gives reason for optimism, but not complacency. The investment levels of 1971 were at a very low level, following a period of relative decline which persisted throughout the 1960's.

A comparison of annual investment per worker employed in each sector indicates that only in the institutional and government sector has investment in Quebec improved its position relative to Canada as a whole. Annual investment per worker in manufacturing declined from 76 per cent of the comparable Ontario figure in 1961 to 57 per cent of the comparable Ontario figure in 1971, and from 80 per cent of the Canadian average in 1961 to 57 per cent of that average in 1971.

The performance of the manufacturing sector in Quebec will be of great importance to the development of that province in the coming decade, in view of the fact that more than 26 per cent of the work force was employed in manufacturing in 1971. With such a heavy proportion of economic activity

in the sector, its performance has a major impact on the service industries, which account for about 62 per cent of all employment. It is therefore of some concern to note that about 60 per cent of the manufacturing work force in Quebec is employed in industries producing non-durable goods, a group for which the projections of the Economic Council of Canada, in keeping with those made by other bodies, indicate a decline in employment over the coming decade. By way of illustration, less than 25 per cent of the manufacturing work force in Quebec is employed in industries projected to have high growth rates in the coming decade, while more than 40 per cent of the Ontario manufacturing work force is employed in these industries.

These and other elements of the Quebec economy suggest that renewed efforts will be required in the coming years if the human and natural resources of that province are to contribute their full share to the development of Canada.

One of the major assets of Quebec, which can be expected to play a leading role in the continued development of the Canadian economy, is the City of Montreal. It is self-evident that Montreal and the immediately surrounding region is of vital importance to the strength and vitality of the province. The administrative region of Montreal accommodates 56 per cent of the provincial population, provides 65 per cent of its gross provincial product and includes 71 per cent of its manufacturing employment. A healthy and dynamic economy in this area is obviously essential if the opportunities for development in Quebec are to be realized.

The role of the City of Montreal in providing commercial, financial, transportation and distribution services to the Canadian economy outside the province appears to have been declining for much of the past decade. This apparent tendency may in part reflect the rapid increase in business activity in southern Ontario, which has generated additional demands for and thus tended to support additional capability in these services in Toronto. It may in part reflect the limited level of demand flowing from the slow-growth Atlantic Region. When these circumstances are added to the relatively unimpressive performance in both the natural resource and secondary manufacturing sectors in the province, some of the difficulties that have faced Montreal in the past decade begin to become clear.

Preliminary figures for 1972 show investment up strongly in Montreal, with a significant portion of the increase coming in manufacturing, which was made eligible for regional development incentives at the beginning of 1971.

Our analysis suggests that the economic performance of Quebec over the past decade indicates underlying structural imbalances, particularly in the manufacturing sector. Major investments will be required to bring about adjustments in this structure.

Fortunately, there is reason to believe that the required economic opportunities exist. The province is well situated in relation to Canadian, United States and European markets. It has a varied and well established industrial, commercial, financial and service system. It has one of the most diversified and sophisticated urban economies in North America and a labour force that is well educated and mobile. Perhaps more than any other Canadian region in which growth has been slow, Quebec is well placed to expand its production of goods from secondary manufacturing.

The natural resources of the province are substantial, particularly in minerals and forests. It is expected that increased output of primary products will be offset by increased mechanization so that net employment gains in these sectors may be small. But processing the resources and manufacturing activities based upon resource inputs appear to hold real potential for the coming decade. This is particularly true in the forest industries, where Quebec has about one quarter of Canada's unutilized resource, and in iron and steel, where the mineral resource and a favourable market location for durable goods could provide a part of the base required for desirable adjustments in the structure of the manufacturing sector.

With increased dynamism in its manufacturing and resource industries, the sophisticated, urbanized character of the economy should permit the province to expand its existing capabilities in commercial, financial and other services to business. The status of Montreal as an international city should be an important factor in developing and servicing Canada's growing international trade.

To complete this brief review of economic circumstances across the country—circumstances relevant to regional development policy—reference should be made to some of our findings for the Ontario economy.

In general, the economy of Ontario has performed strongly over the past decade and continues to do so. Ontario has recently enjoyed the fastest rate of growth in employment in over a decade. In the Speech from the Throne, delivered to the Ontario Legislature on March 20th, it was noted that “the average unemployment rate has declined from 5.2 per cent in 1971 to 4.8 per cent in 1972, and a record of 140,000 new jobs were created”. This amounts to more than half of all the new jobs created during the period in Canada.

In Southern Ontario, generally speaking the area lying south of the French River, the primary issues have been those concerned with the quality and distribution of economic growth, particularly in the area from Oshawa West. In the eastern part of this region, there has been less growth and a substantial amount of unemployment, although the situation in this respect has shown some recent improvement.

In a large area of the province, encompassing the bulk of provincial territory and almost 800,000 people, economic performance has been more like that of Manitoba or New Brunswick than like that of the rest of Ontario. Northern Ontario has experienced a growth rate in population of less than one per cent per year throughout the decade of the 1960's, slightly below the average for the Atlantic Region. It tends to be characterized by a dual economy comprising urban centres such as Thunder Bay, Sault Ste. Marie, Sudbury, North Bay and Timmins, where incomes are at or above national averages, and rural and remote areas and resource towns, where incomes tend to be substantially below the Canadian average and where economic growth depends almost entirely upon primary resource production.

The general social and economic climate in Northern Ontario suggests that special efforts will be required if there is to be a significant increase in the employment and value of production derived from the extensive natural resource base and an increase in the viability of some of the urban centres. The problems and possibilities in the region have been the subject of considerable analysis by provincial ministers. I hope to have an opportunity to canvass with them the ways in which it might be appropriate for this Department to assist more effectively in the economic and social development of the region.

The benefits that might be expected to flow from an increased rate of economic activity in Northern Ontario could have an important effect on efforts to create a more balanced economy in Western Canada. I have noted in my comments about Quebec that one of the elements affecting the vitality of Montreal may have been limited dynamism in the Atlantic provinces, which might be expected to look to Montreal for some of the higher-order commercial and financial services. By the same token, it may be that a strengthened pace of economic development in Northern Ontario would be of some significance in strengthening the eastern portion of the Western Region, particularly Winnipeg.

These, then, are some of the highlights of our analyses. They make it clear that we still have problems of economic underdevelopment in many parts of Canada, more particularly in the Atlantic Region, in Quebec, in Northern Ontario, in Manitoba and Saskatchewan and in the northern area of all four western provinces. We still have disparities, although I believe real progress is being made, particularly in the Atlantic provinces. I hope I have also managed to illustrate my belief that, in most parts of the country, we have opportunities for economic development.

At the beginning of my statement, I said that I would welcome advice from members of this Committee. Later on, I made mention of a possible new approach to regional development policy. In my concluding remarks, I would like to return to that idea. I intend to discuss it at some length with the provincial governments before submitting to my colleagues in the Cabinet any final proposals for changes and new initiatives.

Let me be very clear on one point. Consideration of possible changes and new initiatives will in no way affect the determination of the Government to continue its efforts to reduce regional economic disparities in Canada. Our commitment to the basic objective stands firm and has indeed been intensified by the results of our policy review. What we are now seeking, what we will continue to seek, are ways and means of improving the methods used to produce greater, more satisfying and more productive employment opportunities in the slow-growth regions of the country.

I should also reiterate what I said earlier about existing Departmental programs. The results of our review suggest that, although there is room for improvement, as there always is, the programs are producing beneficial results at a reasonable cost. Present commitments under all these programs will of course be honoured. The programs themselves will be continued unless and until there are clear indications, arising from federal-provincial consultations, that the funds involved can be redirected in such a way as to increase the effectiveness of the overall effort.

The present programs tend to focus on particular factors in economic development, each of which is important, and to provide financial assistance related to those factors. Most notable are the incentives program which is designed to stimulate private capital investment in manufacturing and pro-

cessing facilities, and the special areas program, which is designed to stimulate public capital investment in defined growth and service centres. I have no doubt that federal government support for capital investment in slow-growth areas will continue to be an important element in regional development policy. But it may be that available support for this factor can be made more productive if it is made more flexible, so that it can respond to developmental opportunities that do not fall neatly into the categories of secondary manufacturing investment and special areas infrastructure investment. I will therefore be exploring with the provincial governments ways in which the staff and financial resources of my Department could be used more flexibly in a manner that would be even more responsive to variations, from region to region and province to province, in economic circumstances and opportunities.

I noted earlier in my remarks the range of public policies and programs that affect economic development. It is my tentative conclusion that optimum results in developing our slow-growth regions will require the coordinated application of policies and programs that bear upon specific opportunities. What I am contemplating is a continuing process whereby the federal and provincial governments could identify major developmental opportunities and pursue them together, endeavouring to use the relevant policy instruments available at both levels of government. DREE programs, marked by increased flexibility, would be among the relevant instruments.

Perhaps an example would help to illustrate the suggested approach. In parts of some slow-growth regions, the forests provide an important potential foundation for increased employment and production. At the present time, my Department can help to build on that foundation by assisting in studies of the resource base and the market possibilities and by providing incentives for private investment in wood-using processing and manufacturing facilities. But optimum results may depend on a wide variety of factors. Improved access to markets, involving trade and transportation policy, may be involved. Land tenure laws or practices may affect the situation. Special efforts in both the public and the private sector may be needed to avoid environmental damage. Existing storage and distribution facilities may represent an impediment. Community development may require support for both the planning and capital investment required to accommodate industrial facilities and provide a reasonable quality of life for workers in both woods and plant activities. Manpower training or mobility programs may be desirable or necessary. These are only some of the factors that could be involved in realizing a potential opportunity. In such circumstances, optimum results may call for concerted action by a number of organizations in the private sector and in the federal, provincial and municipal segments of the public sector.

The example may help to indicate why I am suggesting a "multi-dimensional approach". It seems to me that such an approach could be developed over

time as a means of strengthening the federal-provincial attack on regional disparities by focussing, in a manner consistent with national goals, on strategic opportunities for economic development in the regions of slow-growth throughout Canada. As I have already indicated, there appear to be many opportunities to expand employment and production in these regions in a manner that could contribute to total national wealth. It seems to me that, if properly developed, the suggested approach might attract the strong support of the private sector, which has been known to complain about the lack of government coordination in matters affecting economic development.

A good deal of thought has been given to the mechanisms that might be used to apply the concept, which would call for a high degree of interdepartmental coordination at both the federal and provincial levels of government. I think that appropriate mechanisms could be developed and I also think that, if the potential benefits to the Canadian people were demonstrable, the required degree of intergovernmental and interdepartmental coordination could be achieved.

The proliferation of public programs over the last twenty-five years has made improved government coordination a matter of some urgency in our society. I am not naive, however. I know that experience would suggest that coordination for its own sake, in the abstract, is difficult to achieve. But I am not talking about coordination in an abstract sense. I am talking about coordination in pursuit of limited and carefully defined objectives related to major developmental opportunities that have been identified jointly by the two senior levels of government. It seems to me that this kind of coordination should be regarded, not just as possible, but as something close to essential in this country.

I might mention in passing that, in planning the reorganization of the Department required to achieve the increased decentralization referred to in the Speech from the Throne, we are endeavouring to build in elements that would enable us to play an effective role in the development of a "multi-dimensional" approach to regional development in Canada. Planning for the reorganization is now moving ahead quickly and I hope, before too long, to announce our intentions in more specific terms.

One final point. Today I have spoken at some length about a possible new approach to regional development. I am optimistic about its potential and I believe that, if it were to be applied as a basis for new initiatives, with the full support of the provincial governments, it might in time increase rather dramatically the effectiveness of the national effort to reduce disparities. But I am very conscious of the danger of raising expectations to unrealistic levels. The suggested approach could be a means of bringing about important improvements in federal-provincial cooperation in matters affecting economic development. It could be a means of moving us more rapidly toward im-

portant national goals. But I am not offering it as a panacea. I do not believe in instant solutions.

.... I have taken up enough of the time of the Committee. I hope I have said enough to convey some impression of the work being done by my Department, some impression of the effort devoted to our policy review, some impression of the emerging results and the importance of the forthcoming discussions with the provincial governments. Most of all, I hope that I have laid a foundation for a constructive discussion in this Committee about the manner in which we can move forward with a program designed to tackle, with increasing effectiveness, the business of reducing disparities and encouraging more balanced economic growth in Canada.

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