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an evaluation

of the

Canada-Ontario Subsidiary Agreement

for

CORNWALL

DREE-TEIGA JULY 1977



Regional Expansion
Economic Économique
Expansion Régionale

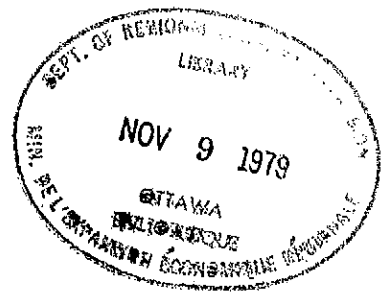


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DREE-TEIGA
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FOREWORD

Under the General Development Agreement, signed on February 26, 1974, Canada and Ontario agreed to co-ordinate the application of federal and provincial policies and programs in the identification and realization of development opportunities. The General Development Agreement (GDA) also provided for Subsidiary Agreements under which specific development opportunities could be identified and pursued.

The Subsidiary Agreement for the Cornwall area, also signed on February 26, 1974, provided for the equal cost-sharing by the senior levels of government in infrastructure projects in Cornwall, and was the first such Subsidiary Agreement to be signed in Canada. Since then, a number of other Subsidiary Agreements have been entered into pertaining to the financing of projects and programs throughout Northern Ontario. Each of these Agreements, like the Cornwall Subsidiary Agreement, provides for a joint evaluation by Canada and Ontario of their effectiveness vis-à-vis the stated objectives, and the objectives of the GDA.

This evaluation of the Cornwall Agreement is the first of these to be carried out. It is therefore hoped that the experience of this evaluation exercise will provide a valuable input not only for the planning and development of future Subsidiary Agreements, but also for the evaluation of future projects.

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I SUMMARY AND FINDINGS

The Canada-Ontario General Development Agreement (GDA) is a joint federal-provincial arrangement for encouraging co-ordinated action to realize common regional development objectives and policies. The GDA is implemented through a series of Subsidiary Agreements in the form of detailed plans of action worked out and cost-shared equally by the two levels of government. GDAs have been signed between Canada and each of the Provinces, except Prince Edward Island where a 15-year jointly funded Comprehensive Development Plan is being implemented. The Canada-Ontario GDA was signed, together with the Cornwall Subsidiary Agreement, on February 26, 1974. The latter Agreement, effective until March 31, 1977, was designed to bring about a long term improvement in the Cornwall area's economic prospects by upgrading infrastructure and improving the social and cultural environment.

Physical work on projects implemented under the Subsidiary Agreement was completed in the fall of 1976. Although it is premature at this time to measure the full impact of the Agreement on Cornwall's economic prospects, this report provides a preliminary evaluation of the experience encountered during the implementation phase and the immediate ascertainable effect on Cornwall's development. Ideally, a further evaluation should be undertaken in, say, five years time when the full impact of the Subsidiary Agreement could be measured more effectively. The report also presents a tentative assessment of the impact on Cornwall's financial situation and current economic conditions.

The stated objectives of the Subsidiary Agreement required adaptation for evaluation. In order to facilitate the evaluation of future Subsidiary Agreements, a more specific framing of objectives would be desirable.

The main findings of the report are:

On Implementing the Agreement

1. Implementation of the projects financed under the Cornwall Subsidiary Agreement was not a problem-free task. Major cost overruns were encountered on the Canal Lands Development, and the Tourist and Recreation Area project was not completed to the point originally anticipated with the available funds. A minor cost overrun was also encountered on the provision of services to the West End Single Industry Site. These problems were augmented by labour difficulties and material shortages.

2. In order to implement the Subsidiary Agreement within its original budget, and within the allotted time frame, the Management Committee had to formulate priorities, reallocate funds, and limit the scope of some projects.

3. The Management Committee was able to operate effectively in this regard due largely to the co-operation of City officials participating in the implementation process, and the management system established at the beginning.

4. Despite the problems encountered, the functioning of the Management Committee and City officials in implementing the Subsidiary Agreement must be considered successful. In this regard, although the Cornwall circumstances may have been unique, the experience gained may prove of assistance in the implementation of other Subsidiary Agreements.

On Municipal Finance

5. Through the Subsidiary Agreement, senior levels of government hoped that, by adding to the municipal infrastructure, new tax revenues would be generated at little or no cost to the City in the long run. Cornwall's fiscal position would thus be enhanced, as the number and range of employment and income opportunities available to area residents increased. In the short term the expectation was that no major changes would take place in the City's tax structure or in its commitment to ordinary capital expenditure programs, including any ancillary cost overruns associated with the Subsidiary Agreement.

6. This expectation was not fully realized and the City of Cornwall devoted some of its own revenue to the pursuit of the development strategy which the Subsidiary Agreement sought to assist. After venturing itself into the Eastern Industrial Park, which the Agreement helped to complete, the City successfully undertook the renovation of Business District "A" and defrayed the cost of some items relating to the Agreement, as in the case of the Canal Lands Development project. In addition to these capital investment initiatives, the City increased its current account expenditures to attract new industry and promote Cornwall as a tourist and convention centre.

7. However, the implementation of the Subsidiary Agreement did aid the City's financial performance. Since 1973, the local assessment base increased significantly, while the City maintained a relatively large scale of operations, raising its level of service in many areas. Financial management was strengthened through a reduction in tax arrears and increased contributions to reserves and reserve funds. As for Cornwall's per household debt level, it stood lower in 1976 than in 1973, before the signing of the Agreement. According to the City's capital program forecast, Cornwall appears prepared to undertake sustained levels of capital spending in the next five years. If the City's anticipated economic growth is achieved, its capital spending program will likely be carried out as planned.

On Economic Development

8. During the first year of the Subsidiary Agreement, the commencement of a general economic slow-down, coupled with deteriorating prospects for Cornwall's textile and electronics industries, had a particularly adverse effect on the City's economy. Economic indicators show that the Cornwall area experienced a slow rate of growth through the 70s. Employment and income levels there were among the lowest in Ontario. One bright spot during 1975 and 1976 was the construction industry. Here, the Subsidiary Agreement was a contributing factor, but the new campus of the St. Lawrence College of Applied Arts and Technology and the Transport Canada Training

Institute were also being built, while a high level of residential construction prevailed.

9. Whereas Cornwall suffered from a number of plant closures after 1974, there are positive indications that new industry is coming to the City: e.g., Combustion Engineering Superheater Ltd. on the West End Single Industry Site and several new firms in the Eastern Industrial Park, all commenced operations within the last two years. As a result, manufacturing in Cornwall is going through a phase of restructuring rather than expansion, one in which a male-oriented capital intensive industry tends to overtake the older, more female-oriented labour intensive type of industry. This changing industrial structure creates new labour demands and calls for increased training programs to upgrade skills. To reduce unemployment and overcome the hardships of this situation, there may well be a need for additional assistance designed to attract more private capital in the area.

On the Projects in the Agreement

10. The Eastern Industrial Park is contributing to the economic development of Cornwall, as intended. Recent plant locations in the industrial park confirm that serviced industrial land was required for Cornwall to realize its development potential. The types of industry locating in the park demonstrate that it is facilitating the change in Cornwall's economic structure and a diversification of its economic base.

11. Cornwall needs to review its land sales and pricing policy regarding the industrial park. Analysis shows that Eastern Industrial Park land is being sold in too large parcels to individual clients, and that prices charged could be increased substantially without harming the City's ability to attract industry.

12. Cornwall is being promoted as a location for manufacturing industries. A number of development opportunities present themselves, including those related to key industrial plants such as Combustion Engineering, Duntar and the textile groups.

13. The West End Single Industry Site project was successfully completed with a \$40,000 cost overrun falling to the City. The Combustion Engineering plant opened on schedule, and employment at this stage (160) is roughly as expected. Future expansion of the plant could be affected by recent Ontario Hydro cutbacks on the number of nuclear generating plants to be introduced. It will be some time before the plant's full spin-off benefits are realized, but there are indications that the plant is attracting complementary investment, and can be a cornerstone in Cornwall's industrial promotion effort. The servicing of the West End industrial park could also permit further acreage on adjacent land to be developed for commercial and for residential use.

14. It was intended that the Civic Centre Complex and associated Canal Lands Development projects would have an impact both on the tourism and convention business attracted to Cornwall, and on upgrading Cornwall's physical and cultural environment. Early indications are that both effects may be occurring. There are a number of conventions, meetings and functions

booked extending to 1979. It is suspected, although not confirmed, that the Centre may have been a contributing factor in decisions by Holiday Inn to expand their Cornwall facility, and by another group to investigate the Downtown area for possible development of a hotel complex.

15. The Civic Complex and Canal Lands Development is an integral part of a major revitalization of Cornwall, particularly the Downtown areas. A number of projects aimed at revitalization and reconstruction of parts of Cornwall are now being carried out both by the public and private sectors which seemingly reflect an attitudinal change on the part of the City residents. The Civic Complex is acting as a catalyst in this process, and is having a significant impact on improving Cornwall's attractiveness for both industry and new population.

16. The Tourist and Recreation Area project has not been successful, mainly because it was not completed as originally intended, and therefore its potential impact is limited. Because of other high priorities, it appears unlikely that Cornwall will be a position to allocate sufficient funds to the completion of this project in the foreseeable future. In its present unfinished state, the project has little chance of making a significant contribution to Cornwall's overall attractiveness.

17. An immediate priority facing Cornwall is the need to expand its presently overloaded sewage treatment plant. Costs of expanding the facility are roughly estimated at \$5.0 to \$6.0 million. Cornwall has indicated that it cannot undertake this expenditure due to financial constraints. While this could not have been foreseen when the Subsidiary Agreement was signed, the lack of sewage treatment capacity is a constraint on Cornwall's growth and the effectiveness of the Subsidiary Agreement.

On Meeting the Objectives

18. The Cornwall Subsidiary Agreement met the objectives of the GDA through improving opportunities for productive employment and encouraging socio-economic development in an area in need of special measures. More specifically, the Agreement met its objectives of increasing the number and range of viable employment and income opportunities in the Cornwall area, and improving the physical and cultural environment of the City. Despite the Agreement, high unemployment and low income levels persist in the area, due to the economic slow-down that has prevailed nationally and internationally since the latter part of 1974. Without the Agreement, however, sustaining the level of economic activity and raising human resource productivity in the area would have been much less successful. Prior to the Subsidiary Agreement, there was a feeling of dependency in Cornwall, but since that time, there has been a perceptible growth in civic pride and a more optimistic outlook by the people. Considering the continuing economic problems in Cornwall and Eastern Ontario, the senior levels of government will maintain a continuing concern and vigilance. Notwithstanding this, it is incumbent on the City to demonstrate a degree of self help and motivation in taking advantage of the assistance granted under the Subsidiary Agreement.

II PURPOSE AND STRUCTURE OF STUDY

The purpose of this study is to evaluate the effectiveness of the Canada-Ontario Subsidiary Agreement for Cornwall in relation to the Agreement's objectives. Realistically, because physical work on projects under the Subsidiary Agreement was completed as recently as the Fall of 1976, little measureable impact can be expected on some of the more macro economic and social variables that the Agreement sought to influence. Results will indicate that the projects have only gone part way towards satisfying the objectives.

However, it is important that an evaluation be carried out while it is still relevant (i.e., while the basic approach to development which is being evaluated is still in use in Cornwall and elsewhere), and before too many extraneous factors have a chance to influence the outcome as often occurs when dealing with economic and social phenomena. For these reasons, it will be necessary to utilize interim measures of the Subsidiary Agreement's success or failure. In some cases these measures may not extend much beyond the implementation process itself.

There are three main parts to this study: a review of the physical aspects of the Cornwall Subsidiary Agreement, a short methodology section, and the analytical core of the study wherein the implementation process, the financial and economic circumstances in Cornwall, and the direct impact of the projects themselves are reviewed in relation to the Agreement's objectives. The general findings of the study are summarized at the front of the report. In the Appendices, the reader will find supplementary information relating to the theory behind the use of infrastructure in the pursuit of development and a document containing more detailed project descriptions.

III THE CORNWALL SUBSIDIARY AGREEMENT

1. Background

Cornwall's industrial growth has been linked very closely with the three major plants of Canadian Cotton, Courtaulds and Domtar. In the 1950s, the construction of the St. Lawrence Seaway provided the stimulus for a substantial but short run construction boom. After completion of the Seaway and the closing of Canadian Cotton in 1958, the growth of Cornwall was extremely slow for about a decade.

Following a Department of Regional Economic Expansion fact finding mission held in 1970 to investigate the effects of announced major layoffs at Courtaulds Canada Ltd. on the economy of Cornwall, a report was commissioned from Price Waterhouse Associates, which was released in 1971 as "An Industrial Opportunity Study for the Cornwall Area". The report made numerous recommendations as to ways in which the City could improve certain economic and social aspects of the community.

In April 1973, the City submitted a brief to the Department of Regional Economic Expansion and to the Ministry of Industry and Tourism asking for continued industrial incentives and infrastructure assistance. By the time the Canada-Ontario General Development Agreement was signed in February 1974, Cornwall had been identified as a priority area of attention and a suitable candidate for a Subsidiary Agreement. As a result, the Canada-Ontario Subsidiary Agreement for the Cornwall Area was signed on February 26, 1974, thus becoming the first Subsidiary Agreement signed between Canada and Ontario.

2. Projects Specified and Implemented

The projects that were to be carried out under the Subsidiary Agreement, and their estimated costs, are summarized in Table 1 on the basis of the original Schedule "A" of the 1974 Cornwall Agreement.

Total estimated cost of the projects thus stood at \$14,169,000, an amount to be cost-shared by the senior levels of government. In addition, a 15% contingency allowance provided under Section 9 of the Agreement meant that eligible costs of up to \$16,330,000 were permissible if properly authorized. The projects specified in the Agreement are reviewed in greater detail below, together with the amendments made necessary in the implementation process.

Map I offers a rough sketch of the City, showing the approximate locations of the projects and of Business Districts "A" and "B" to which occasional reference is made in this study.

PROJECTS SPECIFIED IN THE CORNWALL
SUBSIDIARY AGREEMENT

TABLE 1

Project Description	Estimated Total Cost (\$'000)	Proposed Expenditure Distribution by Fiscal Year (\$'000)		
		1974-75	1975-76	1976-77
a) servicing of an industrial park in the eastern part of Cornwall	2,611	916	1,286	409
b) servicing of a single industry site on the western boundary of the city	3,413	921	1,913	579
c) development of a tourist and recreational area to the east of the single industry site	1,076	147	735	194
d) assistance in the development of the Canal Lands area for recreational, cultural and commercial purposes, including the construction of a Civic Centre Complex	7,069	2,016	4,066	987
TOTAL	14,169	4,000	8,000	2,169

Source: Canada-Ontario Subsidiary Agreement for the Cornwall Area, February 26, 1974

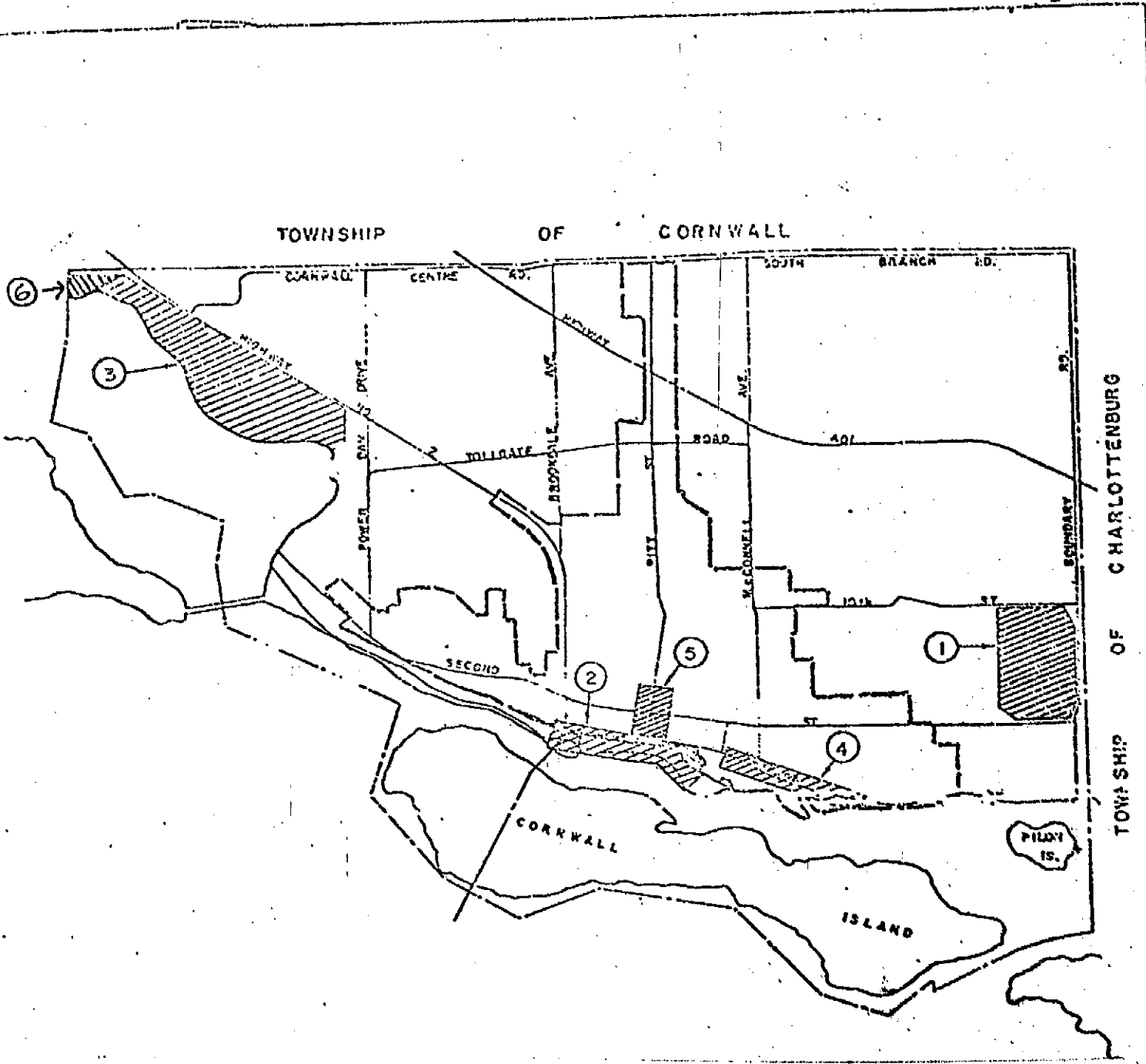
a) Eastern Industrial Park

The project comprised the construction of (1) sanitary sewer and potable water supply systems, and (2) all weather bituminous roads with granular shoulders and open drainage, as part of the development of a fully serviced 400-acre industrial park owned by the City and located west of Boundary Road between Second and 10th Streets. The two sub-projects, which were to have cost originally \$1,435,000 and \$1,176,000, were completed in the summer of 1976 at the respective costs of \$909,000 and \$931,000. Except for some construction delays, the project was implemented as planned, but with the total saving from the first cost estimates amounting to \$771,000.

b) Western Industrial Park

The 80-acre single industry site project, at the western extremity of the City, on which Combustion Engineering Superheater Ltd. intended to locate consisted of (1) the construction of sanitary sewer and water supply facilities on Vincent Massey Drive to service municipal lands along that artery and the industrial site at its western end, as well as the upgrading of the City filtration plant, and (2) the provision of internal services on the industrial site, including site levelling, sanitary and storm sewers, watermains, roads, rail siding and docking facility.

Except for the docking facility and the filtration plant modifications designed to adequately service the new industrial plant, the entire project was completed in 1975 permitting the official opening of the CES



TOWNSHIP OF CHARLOTTENBURG

MAP I
City of Cornwall
Location of Projects and Business Districts

- LEGEND
- 1. Industrial Park
 - 2. Canal Lands
 - 3. Tourist & Recreation Area
 - 4. Business District "A"
 - 5. Business District "B"
 - 6. Single Industry Site

NOT TO SCALE

plant in October of that year. By the summer of 1976, the remaining items were completed. Final costs to the Agreement were \$2,290,000 for the trunk services and filtration plant sub-project (a saving of \$94,000 against the original estimate of \$2,384,000), and \$1,029,000 for the onsite services (unchanged from the original estimate). The municipality, however, absorbed \$40,000¹ in cost overruns relating primarily to the filtration plant.

c) Tourist and Recreation Area

This project consisted of (1) the preparation of a park conceptual plan and ensuing development of the 474-acre park located between Vincent Massey Drive and the St. Lawrence River, including the provision of water and sewer services to active recreational areas and the landscaping of natural environment areas, and (2) the upgrading for public usage of existing roads to a granular surface and the improvement of adjacent ditching. Final costs for the two sub-projects were as per the original estimates of \$661,000 and \$415,000, but in the implementation the project had to be reduced in scope in order to stay within the budget. While inground servicing was complete, road and landscaping portions of the project were not completed when work terminated in the fall of 1976. As a result of the lower priority assigned to this project by the Management Committee, no additional funds were allocated to the project.

d) Canal Lands Development

The development of the old canal area extending along Water Street, to the west of Business District "A" on the City's Montreal Road and to the south of Business District "B" on Pitt Street, comprised (1) the construction of a Civic Centre Complex to enable Cornwall to become a convention centre and meet various recreational, cultural and commercial needs, (2) the development of a 72-acre passive community park and garden adjacent to the Civic Complex, (3) the reconstruction of existing sewerage and waterworks systems on Water Street between Marlborough Street and Brookdale Avenue, and (4) the reconstruction of existing pavements and sidewalks on that same Water Street section to present-day standards of four-lane divided arterial with adjacent pedestrian facilities. Somewhat similar trunk services and arterial facilities had been foreseen for Brookdale Avenue between Water and Second Streets under sub-projects (3) and (4).

Whereas the underground trunk services on Water Street were completed in the fall of 1975, the remainder of the project was completed in the summer and fall of 1976 with the official opening of the Civic Centre taking place on October 31. No work was carried out on Brookdale Ave. and the final Civic Centre design called for a more modest facility than anticipated at first, yet the latter remains highly attractive and functional. Final sub-project costs were (original estimates): Civic Centre Complex

1. This was made necessary by a premature reallocation of funds to the Civic Centre Complex by the Management Committee.

\$7,515,000 (\$4,967,000), community park \$390,000 (unchanged); sewerage and waterworks \$1,047,000 (\$644,000), and pavements and sidewalks \$1,068,000 (unchanged). The total project cost overrun of \$2,951,000 incurred under the Subsidiary Agreement was met through savings of \$865,000 achieved on other projects and the application of \$2,086,000 from the 15% contingency allowance provided under Section 9 of the Agreement. In addition, the municipality, assisted by civic organizations, will have expended an estimated \$1.1 million on the Civic Complex to cover eligible items on which there was a cost overrun and items declared not eligible for cost-sharing under the Agreement.

e) Summary

Final cost of the projects under Schedule "A" of the Agreement, cost-shared equally by Canada and Ontario, thus stood at \$16,255,000, an increase of \$2,086,000 over the original cost estimates. These final costs by project are summarized in Table 2.

PROJECTS IMPLEMENTED UNDER THE
CORNWALL SUBSIDIARY AGREEMENT

TABLE 2

Project Description	Actual Total Cost (\$'000)	Actual Expenditure Distribution by Fiscal Year (\$'000)		
		1974-75	1975-76	1976-77
a) servicing of an industrial park in the eastern part of Cornwall	1,840	1,000	700	140
b) servicing of a single industry site on the western boundary of the city	3,319	1,434	1,885	-
c) development of a tourist and recreational area to the east of the single industry site	1,076	55	220	801
d) assistance in the development of the Canal Lands area for recreational, cultural and commercial purposes, including the construction of a Civic Centre Complex	10,020	1,053	6,044	2,923
TOTAL	16,255	3,542	8,849	3,864

Source: Cornwall Subsidiary Agreement Management Committee

IV AGREEMENT OBJECTIVES AND EVALUATION METHODOLOGY

The stated objectives of the Subsidiary Agreement¹ are: to bring about a long term expansion of the employment and income opportunities available on a stable basis in the Cornwall area through improvements in the local physical, socio-economic and cultural environment, with particular emphasis on infrastructure assistance. This assistance was to be pursued in such a manner that it would reinforce the ability of the affected local governments to improve their fiscal position. "More specific" objectives were stated as:

- a) To increase the number and range of viable employment and income opportunities available in the Cornwall area.
- b) To improve Cornwall's physical, socio-economic and cultural environment.

Unfortunately, the above objectives are not particularly useful for evaluation purposes, mainly because they are capable of a wide range of interpretations. Even the "more specific" objectives are not very helpful in this regard, and there is virtually no linkage spelled out which connects the individual projects to the broader objectives. This, combined with the lack of a time dimension in the objective statements, makes it very difficult to select indicators to measure success or failure at this early stage of the progress.

In instances such as these, the evaluator is often required to use his own judgement in supplying the linkages which exist between individual projects implemented and the achievement of the longer term objectives. In this way it is possible to arrive at some conclusions as to what was expected at the time of implementation, and therefore what factors should be monitored as part of the evaluation phase.

In this case, besides being able to analyze the individual projects, it was possible to discuss the matter with several of the provincial, federal and municipal officials who participated in the development and administration of the Subsidiary Agreement itself. These discussions provided valuable insights into the intent of the projects carried out under the Agreement.

The potential of the area to increase its industrial and tourism activity was an important factor in the decision by the federal and provincial governments to participate in the provision of infrastructure for the City. The decision hinged, however, on the inability of the City to finance the improvements in infrastructure quickly. This implies that the provision of infrastructure is considered necessary now rather than at the pace with which the municipality could accomplish the task. The judgement was made that a "one-shot" infusion by the senior governments in the form of infrastructure would be useful to the City by providing an initial base from which development could occur. In addition, this infusion would give psychological impetus to development.

1. See Canada-Ontario Subsidiary Agreement for the Cornwall Area, February 26, 1974.

In the longer term, increased industrial and other economic activity would improve the financial position of the City. The intent of the federal and provincial governments was not to provide immediate relief for the financial position of the municipality or to reduce the cost of serviced industrial land and/or taxes. It was judged that relatively cheap costs of land acquisition and taxes were not a sufficiently important item in the industrial cost function to have a significant impact on industry location. The object was therefore to provide projects that would themselves attract economic activity, but it was also expected that the City would contribute towards the development process by building from the base provided by the Subsidiary Agreement. A more detailed review of the use of infrastructure as a development tool may be found in the Appendices to this study.

It is obvious that given the short period of time since the end of the implementation phase, it will be necessary to rely on interim measures of the success of the Agreement. This study therefore concentrates largely on the implementation of the Agreement (including the mechanisms put in place under the Agreement), interim performance indicators of the Agreement projects themselves, and an examination of the impact on Cornwall's financial and economic position. The study also includes an assessment of the City's ability to follow up with an effective development effort.

V MEASURING ACHIEVEMENTS: AN ANALYSIS OF SITUATIONS

1. The Task of Implementing the Agreement

As required under Section 10 of the Subsidiary Agreement, Canada and Ontario established a Management Committee, whose duty was to ensure the orderly implementation of the projects set out in the Agreement.

Representing Canada on the Committee were a senior officer from the Department of Regional Economic Expansion and an officer from the Department of Public Works, while Ontario's presence consisted of a senior officer from the Ministry of Treasury, Economics and Intergovernmental Affairs and a provincial appointee, who was initially the Mayor of Cornwall, but who was subsequently replaced on the Committee by a local businessman. Between April 1975 and March 1977, seventeen Committee meetings were held at Cornwall, or exceptionally at Toronto, under the co-chairmanship of the DREE and TEIGA representatives¹.

There are, of course, no hard and fast criteria for evaluating the effectiveness of the implementation of the Subsidiary Agreement and the mechanisms by which the implementation was carried out. Since the circumstances under which the Cornwall Agreement was implemented are quite unique, the experience of a number of other Subsidiary Agreements would have to be taken into account prior to a final judgement being made on the implementation mechanism in general or on Cornwall as a particular case.

As previously mentioned, the implementation of the Cornwall Agreement was not problem-free. Cost overruns of considerable magnitude occurred on some projects, and priorities had to be assigned to projects in order to stay within the Agreement ceiling. However, the fact that such choices were made and that the remaining work was completed on schedule as intended indicates that the Management Committee did control and monitor the situation closely and was able to react to unforeseen circumstances and events.

In retrospect, it appears that important factors contributing to the implementation of the Agreement were the co-operation received from City of Cornwall officials, and the expertise and experience of members of the Committee in the management and control of engineering and construction projects.

1. Co-chairmen of the Management Committee were Mr. D.F. Caveen of DREE and Mr. Wm. McLeod of TEIGA, while the respective federal and provincial Committee Members were Mr. R. Seawright of DPW and Mr. E.C. Lumley, Mayor of Cornwall and later Member of Parliament for Stormont-Dundas. As of November 1975, Mr. Douglas Webster of Cornwall replaced Mr. Lumley as provincial Committee Member. The post of Committee Secretary was assumed by Mr. G. Crothers of DREE. Prominent visitors from the City included Mr. G.F. Parisien, Mayor; Mr. R.J. Hamilton, Chief Administrator; Mr. C.E. Adams, Commissioner of Development and Mr. F. MacDonald, Comptroller; Mr. R. Laplante of M.S. Thompson and Associates attended several meetings as Civic Centre project manager.

Each sub-project was broken down into various elements on the basis of the detailed project descriptions which the Committee requested of the City. With this type of mechanism, the Management Committee was able to review in detail the specifications of each sub-project, rule on the eligibility of expenditure items, and control simultaneously and with a sense of perspective the efficacy and magnitude of the projects vis-a-vis the Agreement budget, and the timing of their construction phases so as to make the fullest use of the budgetary allocations of each fiscal year. This control mechanism became possible because a close relationship was established between the Committee and the City at a very early stage. A fortuitous circumstance, which may have helped the process, was the quick acknowledgement by the parties concerned that the Civic Complex would cost far more than had been anticipated on the basis of the preliminary design. Strict budgeting thus became the rule, for the Minutes of the Committee Meetings show no evidence that consideration was ever given to requesting additional funds from the higher authorities.

While assuming its responsibilities, the Committee was aware of municipal procedure and practice concerning tender calls, opening of tenders and contract awards, and received regular progress reports on the sequence of events, including construction schedules. Where delays occurred due to sub-soil conditions, labour unrest, or parts and materials shortages, the Committee was often in the position of advising on alternative courses. It was through the individual Committee members' expertise in this area, and the effective use of the sub-project detail mechanism¹ and the item eligibility list, that the Management Committee was able to control costs and allocate funds effectively.

On assigning priorities to projects and sub-projects set out in the Agreement, the Management Committee immediately approved for implementation the two industrial park initiatives, which from the beginning had been thought capable of producing the fastest results in terms of employment and income benefits. The Canal Lands Development, however, remained the centre piece aimed at providing the City with the greatest long term socio-economic benefits, but its engineering and design were not far advanced, a situation also found to exist in the case of the tourist and recreation area. Here, the Committee and the City agreed to push the Civic Complex first, with the result that the recreation area was only effectively undertaken in the last year of the Agreement, after all other costs were better known. Regarding the Civic Complex, it seems fair to state that without the close rapport established between the Committee, the City and the jointly approved architect and project management firms hired for the purpose, sub-project costs under the Agreement could easily have increased above

1. The ten sub-projects set out in Schedule "A" of the Cornwall Subsidiary Agreement were broken down by the City into 72 separate elements. These are found in Appendix "B" of this study under the heading "Sub-projects, Components and Description".

the final \$7.5 million. Under the guidance of the Management Committee and the two specialized consultants, the City acted as general contractor in the process.

More will be said on individual projects specified in the Agreement in the analyses that follow. As a general comment, it should be noted that, not surprisingly, the widest margins between anticipated and final project costs, occurred where detailed engineering and cost studies on individual projects did not precede the signing of the Subsidiary Agreement. Improved budgetary planning could follow if such studies were carried out in advance. However, it is very seldom that a number of related projects will arrive simultaneously at the same stage of maturity. This could necessitate that agreements involving several projects be set up with flexibility to incorporate properly studied and designed projects after the agreement is signed. Such flexibility would probably involve more open-ended agreements than was the case in Cornwall.

2. Cornwall's Financial Performance

Cornwall's financial position was reviewed by TEIGA's Municipal Finance Branch in 1973, prior to the signing of the Subsidiary Agreement. It was considered at the time that the City lacked the fiscal capacity to provide industry with municipal services as required and that its financial situation, including a heavy debt load, had prevented the City from undertaking the infrastructure and promotional investments necessary to capitalize on available development opportunities.

This section of the evaluation, prepared by TEIGA's Municipal Finance Branch, assesses the City of Cornwall's financial performance and examines the behavior of various indicators before and during the years in which the Subsidiary Agreement was implemented. To cast some light into the City's future performance, Cornwall's 1977-1981 Capital Program is also examined. In addition, the section reviews the City's present financial position with respect to that of other cities of Southern Ontario¹, so as to better determine the City's financial standing.

a) The Socio-Economic Base

The socio-economic base of the City (Table 3) changed significantly during the implementation of the Agreement. Prior to the latter, between 1970 and 1973, local taxable assessment, which in itself is a measure of the economic activity and wealth of a municipality, increased by only 3 percent. Between 1973 and 1976, this indicator almost quadrupled to 11 percent. The housing sector behaved similarly. Although population changed little in both periods, the equivalent growth in the number of households jumped from 2 percent for the 1970-73 period to more than 11 percent for the 1973-76 period, a trend that was not unique to Cornwall.

1. Chatham, Belleville, Barrie, Guelph, Peterborough, Brantford, Sarnia and Kingston.

BEHAVIOR OF SOCIO-ECONOMIC INDICATORS

TABLE 3

	PERCENT CHANGE	
	1970/73	1973/76
	%	%
Population	1.5	0.3
Households	2.1	11.2
Assessment	3.0	10.6
Household Income	20.0	40.0

Source: TEIGA Municipal Finance Branch

Household income also grew substantially more during the 1973-76 period than it did during the previous three years. Even though the inflation component was greater in the last three years, it was not large enough to offset the faster real growth¹.

b) Revenue Fund Operations

Although it is still too early to measure the Agreement's implications on Cornwall's revenue fund operations, both the level and pattern of spending (Table 4) exhibited by the City during the implementation stage reveal definite positive trends in this area. The City has a large and well established scale of operations and, on a per household basis, spends somewhat more than other Southern Ontario cities. For Cornwall, this indicates high standards of service, even upon considering the City's low settlement density and its low residential to total assessment ratio. Since 1973, the City's debt retirement obligations have declined and the City, rather than limit expenditure growth in response to this decline, proceeded to expand operating expenditures by more than 42 percent, which is well beyond the corresponding 16 percent growth recorded for the 1970-73 period. In real terms, a 2 percent decline is indicated here for the earlier period, compared with an increase of some 3 percent for the 1973-76 period². Service areas benefiting the most from this increased spending were roads, recreation and garbage collection and disposal. City administration costs did not increase as expected. On a per household

1. Measured in real terms (using Statistics Canada's implicit price indexes for personal expenditures on consumer goods and services), household income gains in Cornwall over the two periods were of the order of 4 and 9 percent respectively. In the case of taxable assessments, the figures contain no large inflation component since they basically represent 1949 property values.
2. Based on Statistics Canada's implicit price indexes for gross national expenditures.

PER HOUSEHOLD PATTERN OF
REVENUE AND EXPENDITURES

TABLE 4

	CITY OF CORNWALL				AVERAGE FOR COMPARABLE CITIES
	PERCENT CHANGE		ACTUAL		1975
	1970/73	1973/76	1975	1976	1975
	%	%	\$	\$	\$
<u>Expenditures</u>					
Gen. Gov't	100.0	(34.0) ¹	75	60	76
Fire	31.8	25.9	65	73	83
Policing	37.0	15.0	108	115	110
Roads	17.6	63.6	141	175	120
Sewers and Poll. Control	39.7	16.5	122	127	69
Garbage Collection & Disp.	33.1	45.8	32	35	27
Soc. & Health Services	(11.1)	13.4	141	127	103
Recreation	13.9	129.3	61	94	122
Other	75.8	70.7	87	99	95
TOTAL	29.1	28.5	832	911	805
<u>Net Operating Expenditures</u> ²	15.8	42.2	705	772	645
<u>Revenues by Source</u>					
Taxation ³	12.6	29.5	435	531	464
Ontario Grants	94.4	22.6	317	298	219
Other	(6.7)	46.4	80	82	122

1. The decrease is due to a drop in contributions to reserves.
2. Net of debt charges and contributions to capital fund, reserves and reserve funds.
3. Adjusted for in-year surpluses or deficits.

Source: TEIGA Municipal Finance Branch

RESERVES, RESERVE FUNDS
AND TAX ARREARS

TABLE 5

	CITY OF CORNWALL				AVERAGE FOR COMPARABLE CITIES
	INCREASE/(DECREASE)		ACTUAL		1975
	1970/73	1973/76	1975	1976	1975
Reserves (\$000)	1,231	439	1,989	2,164	768
Reserve Funds (\$000)	88	635	242	800	1,295
Tax Arrears (\$000)	(539)	157	429	538	713
Per Household (\$)	(41)	7	29	35	39

Source: TEIGA Municipal Finance Branch

basis, they were lower in 1976 than in 1973 by some 34 percent in current dollars.

The City's financial management (Table 5) over the past few years is another aspect of the revenue fund operations which augurs well for the City's future. Since 1970, the City has built up its working reserves and reserve funds from \$0.5 million to almost \$3.0 million. This action has given the City significant flexibility in its day to day financial management activities and mill rate stabilization policies. The City has also reversed the rather precarious arrears position it had in 1970. Presently tax arrears are lower than in other cities and almost all of them are for the current year, thus indicating that they are relatively collectable.

c) Capital Fund Operations

Both the actual and proposed capital fund operations (Table 6) further substantiate the comments made earlier regarding the City's willingness and capacity to continue on the development program initiated by the Agreement.

ACTUAL AND PROPOSED AVERAGE ANNUAL CAPITAL SPENDING AND FINANCING

TABLE 6

	CITY OF CORNWALL			AVERAGE FOR COMPARABLE CITIES
	1971/73	1974/76	1977/81	1975
<u>Spending</u>				
Own Purposes (\$ mil.)	2.3	7.9	5.3	4.4
Municipal Enterprises (\$ mil.)	0.2	Negl.	0.4	0.2
TOTAL (\$ mil.)	2.5	7.9	5.7	4.6
Per Household (\$)	185	534	368	253
<u>Financing (Per Household) \$</u>				
Contribution from Rev. Fund	15	46	55	43
Ontario Grants	21	226	137	64
Long Term Borrowing	118	54	129	118
Other	31	208*	47	28
TOTAL	185	534	368	253

* Include Federal Grants

Source: TEIGA Municipal Finance Branch

Prior to the Agreement, the City was spending on the average about \$2.5 million per year or less than \$200 per household. During the Agreement, the average annual spending grew to almost \$8.0 million or more than \$530 per household, largely because of assistance obtained under the Agreement and because of the effect of inflation. According

to the City's five year financial forecast, for 1977-81 the proposed annual spending, while not expected to reach the peaks obtained during 1974-76, will still be kept at relatively high levels. During that period the City hopes to spend about \$5.7 million per year or almost \$370 per household. Compared to the sample of comparable Southern Ontario cities, Cornwall's capital spending level is anticipated to be marginally higher than the mean. It should be noted that this spending program excludes the sewer plant needs which are the responsibility of the Ministry of the Environment. If these needs, which could amount to more than \$6.0 million, were incorporated in the program, they would make it even more extensive.

d) Property Tax Levels

The Subsidiary Agreement does not appear to have caused any additional property tax increases in Cornwall in addition to the ones attributable to normal cost increases (Table 7). During the three year period 1974-76, property taxes in the City increased by about 25% from \$323 per household in 1973 to \$404 per household in 1976. However, during the same period the overall average increase in property taxes in Ontario cities was almost 30% to approximately \$470. Probably this is due to the time lag which exists between capital spending and the related increases in operating spending. In Cornwall, given the large capital program the City may undertake in the future, it is only a question of time before the related additional operating costs start to emerge.

GROSS RESIDENTIAL PROPERTY TAX BURDEN*		TABLE 7	
	CITY OF CORNWALL	AVERAGE FOR COMPARABLE CITIES	
	1976	1976	
Res. Tax Per Household (\$)	404	470	
. Percent Increase - 1973/76	25.1	29.1	
. Percent of Household Income	2.6	2.4	

* The property tax credits under the Ontario Property Tax Credit System have not been netted from the levied amounts.

Source: TEIGA Municipal Finance Branch

How large these cost increases will be and the extent to which the City will be able to absorb them depends on such factors as the present levels of taxation, the scale of operations of the City and the future growth in local economic activity. In all of these aspects, the City does appear to have flexibility to both absorb the resulting tax increases and to minimize the increased costs. The present relatively large scale of operations provides some room for costs to be absorbed and/or for priorities to be reordered to keep costs down without having to decrease significantly the standard of services in the City. The 1976 level of residential property taxes in the City was \$65 less than that of comparable cities

and therefore indicates some capacity to accommodate additional tax increases.

The only potential constraint to this capacity is the relatively low levels of household incomes in the City. This constraint tends to make the proportion of income which householders contribute toward municipal taxation relatively large, and reduces their ability to pay for any additional increases in taxes. For example, the ratio in Cornwall is 2.6% as against 2.4% for other Ontario cities. Fortunately, in Cornwall this constraint is to a large extent offset by the property tax credits local residents receive under the Ontario Property Tax Credit System. In effect, these credits have tended to restore Cornwall's tax paying ability to the levels of other cities. The anticipated future expansion in economic activity in the City could further rectify this anomaly.

e) Debt Capacity

Considering the extent of provincial and federal assistance, the Agreement did not cause any appreciable increase in the long term debt of the City (Table 8). In fact, the overall level of debt, including unfinanced amounts, at the end of 1976 was actually smaller than before the program began in 1974. The 1976 amount was \$12.4 million or 3.9% of equalized assessment as compared to \$12.9 million or 4.5% of equalized assessment in 1973. Compared to a sample of other cities in Southern Ontario of relatively similar size, Cornwall's level of debt is normal

	CITY OF CORNWALL			AVERAGE FOR COMPARABLE CITIES
	1973	1975	1976	1975
<u>LONG TERM DEBT AND DEBT CHARGES</u>				
TABLE 8				
<u>Total Debt by Purpose (\$ mil.)</u>				
Municipal Activities	8.4	8.7	9.6	10.2
Municipal Enterprises	1.6	2.5	3.5	3.5
Unfinanced	2.9	1.0	(0.7)	1.7
TOTAL	12.9	12.2	12.4	15.4
. Per Household (\$)	945	834	819	844
. % of Eq. Assess. (%)	4.5	4.0	3.9	3.6
<u>Total Debt Charges by Purpose (\$ mil.)</u>				
Municipal Activities	1.3	1.2	1.3	1.6
Municipal Enterprises	0.4	0.4	0.6	0.6
Unfinanced	0.4	0.2	(0.1)	0.2
TOTAL	2.1	1.8	1.8	2.4
. Per Household (\$)	154	123	118	132
. % of R.F. Spending	21.7	14.8	13.0	16.4

Source: TEIGA Municipal Finance Branch

and as such gives the City some borrowing capacity to finance future capital needs. For example, in 1975 Cornwall's level of debt in per household terms was \$834 as compared to \$844 for the other cities. Similarly, debt charges constitute a smaller proportion of the City's revenue fund operations than they do in the other cities. The only qualification to this apparent normal situation is the fact that it excludes the long term Agreement which Cornwall has with the Ministry of the Environment for the provision of sewage treatment services. If this amount were added to the City's debt, it would increase it by more than one third. However, it would still be within acceptable limits¹.

f) Conclusion

The implementation of the Agreement does appear to have stimulated and aided the City's financial performance. Since 1974, the assessment base has increased rather significantly. The City has maintained a relatively large scale of operations and has increased substantially its spending on such basic services as roads, recreation, and garbage collection and disposal. The City has also taken significant steps to strengthen its financial management. Over the years, it has reduced its tax arrears to relatively small amounts and concurrently increased reserves and reserve funds to adequate levels. In its capital fund operations the City appears prepared to continue to undertake, during the next five years, sustained levels of capital spending. This in itself represents a clear indication of the City's intention to continue on with the development program.

Taxes and the level of debt were not appreciably affected by the Agreement. The level of residential property taxes per household in 1976 was still about \$65 less than the average for comparable cities. Similarly, the level of debt is normal and would still remain within acceptable limits if the City's long term commitment to the Ministry of the Environment were included.

Generally, the City's financial position is adequate. The only limitation which may prelude the City from fully attaining its objectives in the future is its historically low levels of household incomes and their constraining impact on the tax paying capacity of residents. Although incomes have grown substantially over the past couple of years, they nevertheless remain roughly 15% lower than in comparable cities. If the anticipated economic growth is achieved, it will help rectify this imbalance in the future.

3. Cornwall's Economic Development²

a) Population

Between 1956 and 1976, the population of Ontario rose by 50 percent

-
1. If the capital value of the provincially-owned sewage treatment plant is added to the City's debt for 1976, the latter increases to \$1,116 per household and to 5.3 percent of total equalized assessment
 2. The economic indicators most frequently referred to during the course of this study appear in statistical form in Tables 9 to 15.

and that of Stormont County by 7 percent. Since 1961, the population of the City of Cornwall, whose boundaries have been unchanged since 1957, grew by only 4 percent. Over the last five years, the City's population in fact declined. Similar trends occurred in the area comprising Cornwall and the neighbouring townships.

On account of the several municipal boundary changes of the past two decades and the trend to suburban and exurban living, any valid comparison of the size of cities and their populations must include not only the cities themselves, but also the neighbouring townships strongly affected by the urban growth phenomenon. Census data on this basis show the relative vitality of the Kingston, Peterborough and Belleville urban areas and the slower pace of development in the Brockville and Cornwall areas; the growth pattern is much the same, whether the last fifteen or the last five years ending in 1976 are the basis of comparison. Since 1971, an exodus of population occurred in both the Cities of Kingston and Cornwall. Whereas the City of Kingston stands constrained within its present boundaries and could be expanded into a larger urban entity, the City of Cornwall has ample room to meet the prospective demands of growth. The Belleville situation in this respect is akin to that of Kingston.

b) Employment and the Labour Force

With the completion of the St. Lawrence Seaway and the closure of Canadian Cotton, the short-lived and artificial prosperity of the mid-50s ended abruptly in Cornwall. Employment then rose gradually between 1961 and 1969, but fell in the next two years as Courtaulds closed part of its textile operation. According to Statistics Canada's industrial composite employment index, employment rose again in Cornwall during the 1971-74 period, but the net gain over the 1969 level was a mere 2 percent. Discounting the strike by the 1,600 workers of Domtar Fine Papers, which lasted from September 18, 1975 to March 24, 1976, the index dropped sharply in 1975, and mild recovery signs did not reappear until the summer of 1976.

Compared to the other four urban areas reviewed in this study, Cornwall's economy did not perform well in the 60s and 70s and its lack of strength was particularly apparent after 1974. While Peterborough and Brockville experienced earlier employment growth than Cornwall, it was Kingston and Belleville that had the steadiest growth after 1961. Comparisons with other Ontario areas are perhaps useful at this stage. While the 1975 industrial composite employment index stood at 148 for Peterborough (1961=100), equalling the provincial average, it was 353 for Brampton, 197 for St. Thomas, 179 for Chatham, 173 for Stratford, 170 for Kitchener-Cambridge-Waterloo, 156 for Guelph and 152 for Toronto, but only 125 for Cornwall and 138 for Kingston.

The Cornwall economy has been somewhat fragile through the early 70s because it comprised several firms associated with the textile and electronics industries, both of which faced strong competition from foreign manufacturers. According to the Ministry of Industry and Tourism the

drop in employment in the Cornwall area during 1975 was caused by an unusually high rate of plant closures (involving some 500 jobs) and permanent lay-offs (about 400 jobs). Compensating factors included some recent capital investments, which favoured the metal working and machinery industries, both newcomers to the area, and strengthened the chemicals, fine papers and clothing industries. Under these circumstances, the assistance provided by the Eastern Ontario Development Corporation (EODC), and earlier by the Department of Regional Economic Expansion with the RDIA program, resulted more in the upgrading of the employment base through industrial diversification than in net job creation. In the future, some form of special assistance, in addition to the continuing EODC program, may still be required to enable Cornwall to overcome the hardships that accompany a rapidly changing industrial structure.

Outside the manufacturing sector, employment in the construction industry was at a high level in 1975 and 1976 with the Subsidiary Agreement projects and other municipal projects, the Ministry of Transport Training Institute and the expanded campus of the St. Lawrence College of Applied Arts and Technology being in advanced construction stages. Residential construction was at a peak level in 1976 with over 900 housing starts for the year, almost three times the annual average prevailing during the previous five years. In the services sector, meanwhile, there was some improvement in quality hotel accommodation, and modest employment gains were apparent. Public administration and defence are not covered by the Statistics Canada industrial composite index, but no significant employment change in these sectors took place through this period.

Some insight into the Cornwall area labour force situation can be gained from Canada Manpower Centre (CMC) statistics. Between 1971 and 1974, employment was rising as noted above, but so were notified job vacancies and clients without employment. With employment levelling off in the first half of 1976, job vacancies and clients without employment were both below their corresponding 1975 levels. Together, these data point to a rise in the labour force of the CMC Cornwall area, from the 1971 Census year figure of 34,570 (16,890 in the City of Cornwall), and to a subsequent fall. Based on the CMC's average of 4,235 unemployed clients during 1974, the unemployment rate in the area likely exceeded 10 percent in that year and did not drop much below that level in 1976. Such a high rate puts the Cornwall area in a class with the Pembroke, Prescott, Gananoque and Trenton areas.

Situations such as the above suggest that some skills are in high demand, while others are in excess supply. The changing industrial structure of a community calls for manpower adjustments, which adult education authorities can bring about through the retraining of the labour force and the upgrading of its skills. New industry coming to Cornwall seems to be more male-oriented than before and to demand higher skills. For a time, this phenomenon may result in labour migrations and changing participation rates, if not in rising unemployment.

c) Personal Income

The Statistics Canada employer survey used to review employment may be used also to review wage opportunities available in the Cornwall area and elsewhere. A further information source on personal income is found in Revenue Canada Taxation statistics.

From the first source, one finds that average hourly earnings in the Cornwall area manufacturing industry were \$6.01 in July 1976, an 85 percent gain over July 1971 and a 24 percent gain over July 1975. Somewhat similar results are obtained with year-round averages. Among the topical events of the period, it may be recalled that 1971 was a year of low employment in Cornwall, whereas by July 1976 the Domtar wage settlement had been in effect since March. Average weekly hours of work in Cornwall manufacturing establishments fell over the period from 41.2 for the twelve months of 1971 to 40.0 in 1974, 38.6 in 1975 and 38.8 for the first seven months of 1976 (a 0.1 fall over the corresponding 1975 period). With the larger group of firms reporting under the industrial composite category, average weekly earnings of Cornwall area employees stood at \$218.22 in July 1976, a 68 percent advance over July 1971 and a 14 percent advance over July 1975.

By the summer of 1976, average hourly earnings in the manufacturing plants of the Cornwall urban area were well above those of the Belleville and Brockville urban areas, and even surpassed those of the Peterborough urban area. Since both 1971 and 1974, such earnings rose at a faster rate in the Cornwall area than in the other four urban areas under review. In contrast, weekly hours of work fell sharply in the Cornwall area between 1971 and 1976, having been particularly stable in the Brockville and Peterborough urban areas. Turning to the more embracing industrial composite index on average weekly earnings, it is noted that, whereas the Cornwall urban area in 1971 and 1975 ranked the second lowest after the Belleville area in terms of reported employee earnings, by 1976 the area had overtaken Kingston and the earnings level there was approaching those prevailing in the Brockville and Peterborough urban areas.

Taxfilers form a larger if more complex universe than wage earners. For the 1974 taxation year, the latest for which there are published data, City of Cornwall residents filed 26,807 returns, reporting total incomes of \$181.4 million or \$6,766 per return. Against the corresponding 1966 figure, this average 1974 taxfiler income figure represented a 59 percent gain for the Cornwall resident. By Canadian and Ontario standards, the advance was modest. By Ontario standards, the number of tax returns per population is also on the low side in the Cornwall area reflecting, ~~inter alia,~~ a low labour force participation rate.

Personal income levels, measured through taxation statistics, are known to be low in the Eastern Ontario Planning Region. Excluding the Regional Municipality of Ottawa-Carleton, the average reported income for Eastern Ontario was \$7,086 in 1974, some 15 percent below the Ontario average and some 13 percent below the Canada average. Among the five

POPULATION, CENSUS YEARS, 1961-1976
FIVE ONTARIO URBAN AREAS

TABLE 9

Census Subdivision	1961	1966	1971	1976*	1976:61 % Chg.	1976:71 % Chg.
<u>CORNWALL AREA</u>						
Charlottenburg, Twp.	5,784	5,223	5,202	5,585	- 3.4	
Cornwall, City	43,639	45,766	47,116	45,491	4.2	
Cornwall, Twp.	4,340	4,473	4,540	4,749	9.4	
Osnabruck, Twp.	3,404	3,227	3,372	3,822	12.3	
	<u>57,167</u>	<u>58,689</u>	<u>60,230</u>	<u>59,647</u>	<u>4.3</u>	<u>- 1.0</u>
<u>BROCKVILLE AREA</u>						
Edwardsburg, Twp.	3,646	3,826	3,914	4,129	13.2	
Prescott, Town	5,366	5,176	5,165	4,852	- 9.6	
Augusta, Twp.	4,915	5,231	5,540	6,128	24.7	
Brockville, City	17,744	19,266	19,765	19,566	10.3	
Elizabethtown, Twp.	6,557	7,072	6,513	6,955	6.1	
	<u>38,228</u>	<u>40,571</u>	<u>40,897</u>	<u>41,630</u>	<u>8.9</u>	<u>1.8</u>
<u>KINGSTON AREA</u>						
Pittsburg, Twp.	9,024	10,210	9,443	9,658	7.0	
Kingston, Twp.	10,442	12,985	17,387	24,433	134.0	
Kingston, City	53,526	59,004	59,047	54,804	2.4	
Ernestown, Twp.	5,704	6,926	8,849	10,899	91.1	
Storrington, Twp.	2,104	2,240	2,512	2,743	30.4	
Loughborough, Twp.	2,107	2,243	2,490	2,989	41.9	
Portland, Twp.	3,059	3,458	3,650	3,995	30.6	
	<u>85,966</u>	<u>97,066</u>	<u>103,378</u>	<u>109,521</u>	<u>27.4</u>	<u>5.9</u>
<u>BELLEVILLE AREA</u>						
Tyendinaga, Twp.	2,548	2,474	2,522	2,614	2.6	
Deseronto, Town	1,797	1,836	1,836	1,877	4.5	
Thurlow, Twp.	4,888	5,217	5,630	5,985	22.4	
Belleville, City	30,655	32,785	35,128	34,702	13.2	
Sidney, Twp.	11,397	11,825	12,199	15,007	31.7	
Trenton, Town	13,183	13,746	14,589	15,211	15.4	
Murray, Twp.	4,558	5,354	5,782	6,044	32.6	
Ameliasburgh, Twp.	3,912	4,014	4,391	4,864	24.3	
	<u>72,938</u>	<u>77,251</u>	<u>82,104</u>	<u>86,304</u>	<u>18.3</u>	<u>5.1</u>
<u>PETERBOROUGH AREA</u>						
Smith, Twp.	4,724	5,208	6,572	7,576	60.4	
Peterborough, City	47,185	56,177	58,111	59,077	25.2	
Otonabee, Twp.	4,629	3,915	4,301	4,592	- 0.8	
North Monaghan, Twp.	3,875	886	1,035	1,092	-71.8	
South Monaghan, Twp.	733	737	875	1,025	39.8	
Douro, Twp.	3,139	2,866	3,175	3,323	5.9	
Emily, Twp.	1,691	1,758	2,333	3,181	88.1	
Cavan, Twp.	2,216	2,471	2,830	3,943	57.6	
	<u>68,192</u>	<u>74,018</u>	<u>79,232</u>	<u>83,359</u>	<u>22.2</u>	<u>5.2</u>

* Preliminary Counts

Sources: Population: Preliminary Counts, 1976
Census of Canada, Statistics Canada.
Population: Census Subdivisions (Historical),
1971 Census of Canada, Statistics Canada,
Cat. 92-702

INDEX NUMBERS OF EMPLOYMENT, 1960-1976
INDUSTRIAL COMPOSITE FOR FIVE ONTARIO URBAN AREAS

TABLE 10

Year	Cornwall	Brockville	Kingston	Belleville	Peterborough
1960	107.9	N.A.	96.6	99.6	106.7
1961	100.0	100.0	100.0	100.0	100.0
1962	100.8	N.A.	99.7	110.0	105.4
1963	106.8	N.A.	105.6	105.8	110.3
1964	114.2	N.A.	114.9	109.0	118.4
1965	117.0	119.8	122.0	109.2	124.2
1966	127.1	135.3	125.2	114.9	132.8
1967	130.0	140.9	121.7	116.7	134.9
1968	132.7	130.4	123.0	118.7	132.8
1969	138.5	128.1	128.3	124.8	141.5
1970	127.5	129.1	125.6	127.0	142.1
1971	125.3	129.3	122.5	128.9	136.5
1972	129.4	125.2	124.2	132.0	135.2
1973	135.5	134.4	130.0	134.4	135.5
1974	140.9	141.2	138.0	142.7	140.8
1975	124.6**	133.7	138.3	137.5	147.6
1975 (7 mos)*	124.8	132.6	136.8	136.2	146.8
1976 (7 mos)*	123.3**	139.3	140.1	140.3	142.7

* January to July, unadjusted for seasonal variations

** Adjusted upward for the Domtar strike

Source: Employment, Earnings and Hours, Statistics Canada
Cat. 72-002

AVERAGE WEEKLY EARNINGS IN DOLLARS, 1971-1976
INDUSTRIAL COMPOSITE FOR FIVE ONTARIO URBAN AREAS

TABLE 11

Year	Cornwall	Brockville	Kingston	Belleville	Peterborough
1971	128.05	133.68	132.28	121.41	144.23
1972	138.55	147.06	143.00	130.03	156.06
1973	150.02	152.45	152.94	139.12	168.11
1974	167.90	168.30	169.44	151.03	183.61
1975	188.30	192.46	190.52	171.09	205.08
1975 (7 mos)*	187.27	186.85	185.70	166.54	202.05
1976 (7 mos)*	212.04	219.30	208.79	188.57	222.61

* January to July, unadjusted for seasonal variations

Source: Employment, Earnings and Hours, Statistics Canada,
Cat. 72-002

AVERAGE HOURLY EARNINGS IN DOLLARS, 1971-1976
MANUFACTURING, FIVE ONTARIO URBAN AREAS

TABLE 12a

Year	Cornwall	Brockville	Kingston	Belleville	Peterborough
1971	3.17	3.21	3.61	2.88	3.69
1972	3.37	3.38	3.85	3.13	3.91
1973	3.66	3.64	4.18	3.40	4.20
1974	4.29	4.02	4.74	3.78	4.67
1975	4.85	4.64	5.38	4.38	5.41
1975 (7 mos)*	4.85	4.52	5.29	4.28	5.32
1976 (7 mos)*	5.67	5.32	6.13	4.87	5.92

AVERAGE WEEKLY HOURS OF WORK, 1971-1976
MANUFACTURING, FIVE ONTARIO URBAN AREAS

TABLE 12b

Year	Cornwall	Brockville	Kingston	Belleville	Peterborough
1971	41.2	40.6	40.5	39.7	40.0
1972	41.1	41.0	41.0	39.3	40.3
1973	41.3	40.6	40.8	39.4	40.3
1974	40.0	40.3	39.9	38.4	40.2
1975	38.6	40.0	39.8	38.0	39.5
1975 (7 mos)*	38.9	39.7	39.4	37.7	39.1
1976 (7 mos)*	38.8	40.8	39.2	38.0	39.1

* January to July, unadjusted for seasonal variations.

Source: Employment, Earnings and Hours, Statistics Canada,
Cat. 72-002

RESIDENTIAL CONSTRUCTION, DWELLING STARTS
FIVE ONTARIO LOCALITIES, 1971-1976

TABLE 13

Year	Cornwall City	Brockville City	Kingston Census Area	Belleville City	Peterborough Census Area
1971	156	167	1,243	480	485
1972	209	188	1,144	355	835
1973	571	185	1,634	428	505
1974	367	154	636	359	850
1975	351	284	766	487	1,091
1976	945	119	1,481	347	970

Sources: Housing Starts and Completions, Statistics Canada,
Cat. 64-002.
Preliminary 1976 data from Central Mortgage and Housing
Corporation, Ontario Region.

REGISTERED CLIENTS WITHOUT EMPLOYMENT, 1969-1975
YEARLY AVERAGES FOR SELECTED CANADA MANPOWER
CENTRES AREAS*

TABLE 14a

Area	1969	1970	1971	1972	1973	1974	1975
Cornwall	2,168	3,876	3,238	3,250	3,694	4,235	6,406
Brockville**	1,066	1,578	1,206	1,547	1,902	2,055	2,619
Kingston	1,984	3,389	3,263	3,477	3,336	4,366	4,778
Belleville	1,036	1,872	2,006	1,714	3,064	1,704	2,423

NOTIFIED FOB VACANCIES, 1969-1975
YEARLY TOTALS FOR SELECTED CANADA MANPOWER
CENTRES AREAS*

TABLE 14b

Area	1969	1970	1971	1972	1973	1974	1975
Cornwall	3,855	3,122	4,574	N.A.	6,748	5,693	4,628
Brockville**	N.A.	N.A.	3,140	3,851	4,051	4,169	3,572
Kingston	5,264	5,043	5,367	N.A.	N.A.	6,476	5,539
Belleville	3,647	2,965	3,350	4,142	3,905	3,250	2,988

* Peterborough Area data not requested for the purpose of this study

** Includes CMC Prescott Area

Source: Canada Manpower and Immigration - please note that slight change in definition of registered clients data took place during the period covered.

AVERAGE REPORTED INCOME, INDIVIDUAL TAXFILERS
CANADA, ONTARIO AND SELECTED LOCALITIES, 1966, 1971, 1974

TABLE 15

Locality	1966 \$	1971 \$	1974 \$	1966 Ont=100	1971 Ont=100	1974 Ont=100
Canada	4,429	5,876	8,170	94.5	92.8	98.5
Ontario	4,686	6,331	8,296	100.0	100.0	100.0
Northwestern R.	4,446	6,051	7,897	94.9	95.6	95.2
Northeastern R.	4,477	6,192	7,735	95.5	97.8	93.2
Southwestern R.	4,430	5,942	7,979	94.5	93.9	96.2
Central R.	4,831	6,493	8,479	103.1	102.6	102.2
Eastern R.	4,427	6,118	8,130	94.5	96.6	98.0
Eastern R., excl. Ottawa-Carleton	3,936	5,328	7,086	84.0	84.2	85.4
Hastings Co.	3,988	5,339	7,339	85.1	84.3	88.5
Belleville	4,413	6,087	7,870	94.2	96.1	94.9
Frontenac Co.	4,220	6,018	7,870	90.1	95.1	94.9
Kingston	4,364	6,177	8,028	93.1	97.6	96.8
Leeds Co.	4,227	5,405	7,228	90.2	85.4	87.1
Brockville	4,555	5,841	8,071	97.2	92.3	97.3
Stormont Co.	4,165	5,183	6,658	88.9	81.9	80.3
Cornwall	4,251	5,257	6,766	90.7	83.0	81.6
Peterborough Co.	4,505	5,845	7,613	96.1	92.3	91.8
Peterborough	4,690	6,093	7,743	100.1	96.2	93.3

Source: Taxation Statistics, Annual Editions, Revenue Canada Taxation

Ontario cities often referred to in this study, moreover, Cornwall ranked last in 1974 items of income level, and its performance over the 1966-1974 period was the poorest in terms of income growth. Given what is known about the performance of wage-earner and salaried employee earnings to 1976, there is reason to believe that the taxfiler income situation in Cornwall has improved substantially since 1974. Nevertheless, it would appear that the average taxfiler in the Cornwall area has fewer income sources than, say, his Kingston or Brockville counterpart; or, if an employee, the Cornwall taxfiler is more likely to be poorly remunerated by a small firm not reporting on a monthly basis to Statistics Canada.

d) Economic Outlook

Of the economic indicators just reviewed, the most promising may be the new earning power of the Cornwall labour force, particularly its wage and salary employee component. While the 1976 wage settlement at the Domtar paper mill was a contributing factor, rising employee earnings must also reflect the skills upgrading, which accompanies the slow but definite restructuring of the Cornwall economy. Increased labour income, which must have largely contributed to the 1976 boom in housing construction, will inevitably affect other sectors in due time, such as trade.

Going into 1977, however, employment in manufacturing, and total employment, were significantly below the peak levels prevailing in early 1974 before the ensuing recession. Yet, Cornwall's future appears promising. The Eastern Industrial Park should continue to attract to the City new and more diversified industry, while the slated expansion of Combustion Engineering Superheater Ltd. takes place. If, in addition, Cornwall should succeed in becoming a tourism and convention centre, added benefits will accrue to its residents.

4. Assessment of Projects Implemented

While the preceding analysis of the financial and general economic circumstances in Cornwall provides some insight into the situation now, and during implementation of the Subsidiary Agreement, it is difficult at this stage to specify the relationship between these indicators and Agreement implementation. For a more complete picture it is necessary to descend to the project level for an analysis of the performance of the Agreement projects themselves, as well as a review of related factors which influence Cornwall's situation. The analysis which follows tends to be somewhat more intuitive, bearing in mind the facts from previous sections of this study that the earning power of Cornwall residents is low, that local property assessment has grown slowly in recent years, but that the fiscal position of the City is acceptable. While the City managed to spend some \$2 million on its Eastern Industrial Park between 1972 and the signing of the Subsidiary Agreement, it clearly could not have undertaken the projects contained in the Agreement without GDA assistance. Moreover, the general economic conditions prevailing in Cornwall are by and large those prevailing east of Kingston.

a) The Eastern Industrial Park

The 400-acre Eastern Industrial Park, for which servicing was completed under the Subsidiary Agreement, is now occupied by some thirteen firms employing 1,300 people (see Table 16). These firms occupy 150 acres or just over 1/3 of the park's total land area. Eight of these firms, accounting for just over 1,000 employees, were established on land serviced by the City of Cornwall prior to the signing of the Subsidiary Agreement financing. As a result, some forty acres of the recently serviced land are now occupied, leaving Cornwall with approximately 250 acres of serviced industrial land available for prospective industry. The record of plant location in the industrial park confirms the need for serviced industrial land in the Cornwall area. In addition, the Cornwall Industrial Commission indicates that other firms have shown a strong interest in a Cornwall location¹.

The result of all of this is that the Eastern Industrial Park is quite clearly contributing to the economic development of Cornwall and, judging by the types of industry which have recently located, is facilitating the change in Cornwall's economic structure noted earlier.

Cornwall is now selling Eastern Industrial Park land at \$5,000 per acre, with a minimum lot size of five acres, although there are a limited number of 1/2 acre lots available. Although Cornwall is recovering the cost of land and servicing at \$5,000, the City could probably charge more for its industrial land and still be competitive. A review of the 1975 Industrial Survey carried out by the Ministry of Industry and Tourism indicates industrial land prices in other Eastern Ontario centres range from \$5,000 to \$10,000 per acre. Moreover, since the cost of industrial land is a relatively small item in the total costs of plant location, it is not likely that higher land prices would significantly reduce industrial interest in a Cornwall location. It should be recalled that it was not the intent of the Subsidiary Agreement to reduce the cost of industrial land in Cornwall, but rather to make land available at market prices.

Secondly, there is some indication that Eastern Industrial Park land is sold in too large packages. A visit to the industrial park reveals large under-utilized areas between scattered industrial buildings. While allowances must be made for later plant expansion, the general feeling is that firms are enjoying the luxury of large buffer zones around their plants, not all of which is likely to be required for this purpose.

Table 16 tends to confirm this basic impression, although the figures must be interpreted with considerable caution. While the Ministry of Industry and Tourism would suggest that an "average" industrial park should have in the order of 12-15 employees per acre, even the more established areas of the Eastern Industrial Park have only 9 employees per acre, and less in the new sections where plants have not yet reached their full employment levels.

1. Guardian Poly Industries Ltd. recently purchased land in the Eastern Industrial Park, and plant construction is to begin in 1977.

EASTERN INDUSTRIAL PARK
INDUSTRIES LOCATED, EMPLOYMENT, AND ACREAGE OCCUPIED

TABLE 16

Establishment	Date Established	Acreage	Employees	Employees/ Acre
1. Sovereign Seat Cover Mfg. Ltd.	1959	18.7	215	11.5
2. Cornwall Storage & Warehousing Including Robert Mitchell Co.		18.0	20	1.1
3. Eastern Pottery	1970	14.8	58	3.9
4. Altas Hoist & Body	1973	13.7	56	4.1
5. Levi Strauss	1972	15.0	447	29.8
6. Morbern Industries	1964	15.0	154	10.2
7. Air Refiner	1970	10.0	27	2.7
8. Columbia Finishing	1965	4.5	26	5.8
9. Riverside Yarns	1975	20.0	73	3.7
10. Cornwall Spinners	1975	5.0	150	30.0
11. Karl Gutmann Inc.	1975	5.0	13	2.6
12. Valley Bottling	1975	7.5	34	4.5
13. Interprovincial Pipeline	1975	2.0	7	3.5
		-----	-----	-----
TOTAL		149.2	1,280	8.4
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Source: Cornwall Industrial Commission

Cornwall should re-examine its policies regarding lot size and pricing of its industrial land. While there may be short-term advantages to selling larger parcels of land in an attempt to ease the City's current financial situation, it is felt that Cornwall's longer term position will be maximized by charging higher prices and placing tighter constraints on the amount of land that individual firms may purchase. One advantage, of course, is to increase the total tax revenue accruing due to increased assessment per acre of land; at the same time, constraints on lot size would forestall the need for expensive servicing of additional industrial acreage.

b) Industrial Promotion Activity and Development Prospects

The City's Director of Economic Development is responsible for promoting Cornwall as a manufacturing centre. Promotion programs include correspondence, follow-ups through personal contacts, slide shows, visits to established industrial centres and advertising in financial papers at home and abroad. Industries being sought are those whose products and services relate well to those of strategic employers, like Dometic, Combustion Engineering and the textile group; metal working and heavy equipment firms are also coveted. Close liaison with the Eastern Ontario Development Corporation is maintained.

Development people in Cornwall are optimistic about the City's future. In addition to promoting the fully serviced industrial park, attempts are also being made to encourage utilization of the idle factory space available at the vacated GTE Sylvania and MCA Records plants, and in the portion of the Courtaulds complex vacated by their Versatile Knitting Division. Traditionally and in the recent past, industrial growth in Eastern Ontario was the result in large part of the establishment of branch plants by Montreal-based firms - Alcan at Kingston, Northern Telecom at Kingston and Belleville, Dometic and CES at Cornwall. The process has at times worked in reverse with Toronto firms investing capital in places like Montreal or Drummondville. Current language and nationalistic fervour in Quebec could lead to an exodus of manufacturing from the Province, which could benefit Cornwall. Air Refiner (Canada) Ltd. are to expand their Eastern Industrial Park plant and abandon their Montreal plant completely, while Robert Mitchell Ltd. have established a branch operation in an existing and underutilized Eastern Industrial Park building to produce parts for the Combustion Engineering Superheater nuclear furnace components operation.

Other potential growth sources exist for Cornwall and Eastern Ontario generally. While the net growth in world manufacturing employment is expected to be limited over the next decade or so, the volume of activity in new plants, plant expansions and modernizations will be far from negligible. New technologies, plant obsolescence, changing consumer tastes, changing production functions linked with the energy situation, and congestion in metropolitan areas will provide cities such as Cornwall with opportunities for industrial promotion initiatives and expansion.

c) West End Single Industry Site

The purpose of this project was to provide servicing to the single industry site on the west side of Cornwall to facilitate the location of Combustion Engineering Superheater Ltd. The entire project was completed with only a minor cost overrun of approximately \$40,000 borne by the City for upgrading of the water filtration plant. However, the servicing needed for the industrial site has also opened up adjacent acreage for future commercial and/or residential use.

The CES plant opened on schedule in October of 1975, and is currently employing 160 people. This seems to be consistent with the understanding between CES and the parties to the Subsidiary Agreement that the plant would employ approximately 170 people after two years of operation. It was, of course, this understanding and the expectation of an expansion to 1,000 employees within the first ten years of operations which was the main justification for the over \$3.3 million invested by governments in infrastructure to support the plant location. While employment growth at the CES plant is currently meeting expectations, future expansion could well be affected by Ontario Hydro's recent cutback on the number of future electrical generation nuclear plants.

In addition, it will be sometime before the full spin-off effect generated by the CES investment will be realized. It has already been mentioned that Robert Mitchell and Company have located in the Eastern Industrial Park to produce components for CES. As the Combustion Engineering plant becomes better established significant opportunities may exist for similar types of investment which would have a major impact on the goal of a diversified economic base in Cornwall.

d) The Civic Centre Complex, Tourism Promotion and Cultural Environment

Cornwall's Civic Centre was built to enable the City to become a convention centre and to meet various recreational, cultural and commercial needs. Major areas of economic impact that can be identified include: the immediate financial impact on the City of the costs and revenues associated with the complex itself, the tourism and commercial impact of increased visitation due to conventions and special events and the more difficult to measure impact of the improved aesthetic and cultural environment in the City of Cornwall. All of these factors had a part in the decision to finance construction of the Civic Centre.

The Civic Complex Manager has a number of conventions booked for the period extending between the official opening of the building on October 31, 1976 and mid-1979, in addition to a number of one-day meetings. Due to the limited commercial overnight accommodation in Cornwall (864 saleable hotel-motel rooms), multi-day conventions are now being booked for groups of 500-600 people. Undoubtedly, the attractiveness of the Complex lies in quality facilities not available anywhere within a 100-mile radius, except at Montreal and Ottawa. For cultural and recreation events, the immediate vicinity target population is estimated at 125,000, so that for good events the maximum seating capacity of 7,000 should be fully

utilized. The Complex has an annual operating budget of \$400,000. On the basis of the experience to date, City officials are optimistic that this amount can be recovered from revenues, and that within the first three to five years of operation there is even a possibility of a small operating surplus.

Commercial developments, particularly in the accommodation industry are expected as a result of increased visitation to Cornwall due to conventions and major events. Current hotel accommodation in Cornwall is found mainly on Brookdale Avenue (Highway 2), with the Parkway Inn being the largest facility. However, the Holiday Inn plans a 120-room tower addition to its present 80-room two-storey building, also on Brookdale. Marathon Realty and a Cambridge group, it is said, have looked at downtown property in Cornwall, but no tangible results are apparent so far. However, there will be a loss of accommodation when the Cornwallis Hotel on Second Avenue is converted to a senior citizens' home, yet the net result should be an overall increase in, and upgrading of, Cornwall's accommodation facilities. At this stage, it is not known what impact the presence of the convention facility may have had on the Holiday Inn's decision to expand their Cornwall facility, or upon Marathon Realty's investigation of the downtown area. It is suspected, however, that the project would have been a contributing factor.

The beauty and functional quality of the Civic Complex, over-looking the St. Lawrence River, Cornwall Island and the International Bridge, give Cornwall an asset for potential growth not to be found in neighbouring cities. On the other hand, one must be aware of obstacles standing in the way of Cornwall's success in improving its image both as a convention and tourist centre and as a potential location for business and industry. One of these obstacles is air pollution caused by industrial plants, while the other is the need for revitalization of sections of the City.

City officials are well aware of these problems and major priority is being given to projects to revitalize and upgrade Business District "A". Some private sector investment is also being made in this area. To revitalize Business District "B", possible assistance sources outside the private sector include the new Ontario Downtown Revitalization Program, under which Cornwall has applied for assistance, and Central Mortgage and Housing Corporation. Actual plans for this area still seem to be nebulous, although its general appearance has improved in recent years through good upkeep and the addition of a number of attractive public buildings.

So far, efforts have concentrated on the Canal Lands and Business District "A" projects. Upgrading of Brookdale Avenue could be a priority in order to ensure a continuing four-lane arterial road from the Civic Centre and the International Bridge to Highway 401. This link would also connect the Civic Centre to the existing accommodation facilities.

The Civic Centre Complex and Canal Lands developments can, therefore, be viewed as an integral part of a major revitalization of Cornwall and may in some respect act as a catalyst for related developments undertaken by both the public and private sectors. While some developments such as

the upgrading of Brookdale Avenue are obviously related, there are a number of residential and commercial construction projects which are now in progress and which may reflect an attitude change among Cornwall residents contributing to a general face-lift of the City. The relationship between the Civic Complex and this perceived change in attitude would, of course, be very difficult to measure, but it is clear that Cornwall's physical environment is being upgraded considerably.

It is to be hoped that this upgrading of Cornwall's Downtown areas will not only contribute to the attraction of tourist and convention business, but that it will have a significant impact on improving the City's attractiveness as a place to live and to invest. It remains to be seen what impact will be felt on Cornwall's employment base as a result.

e) Tourist and Recreation Area

As noted earlier, the intent of this project was to prepare the development plan and complete inground servicing, road construction, and some landscaping. As it turned out, cost overruns, particularly on the road projects, resulted in only a partial completion of the roads, and little progress on the landscaping. It was, however, a deliberate decision of the Management Committee that the Tourist and Recreation Area deserved a lower priority than the other projects, and all funds that could be made available were allocated to the Civic Centre Complex.

This project would have contributed to an improvement in the recreational amenities offered by the City. However, it is quite debatable what impact this project might have had even if it had been completed as intended. To begin with, even with the roads and landscaping finished, the City would be faced with undertaking an expenditure of an estimated \$4-5 million to complete the park as originally planned and upgrade it from its present status as essentially a natural recreation area with some parking and picnic facilities. This undertaking would, of course, have to compete with higher priorities such as Downtown revitalization and Brookdale Avenue, and the absolute requirement for an expanded sewage treatment plant¹. As it now stands, the expenditure under the Agreement was either too much or not enough; too much for the product that was obtained; and not enough because Cornwall is not likely to be able to allocate scarce resources to its completion in the foreseeable future.

This suggests that Subsidiary Agreement funds should not be used to begin projects unless the means for their completion is evident. As it now stands, the Tourist and Recreation Area will not be completed for many years, and in the meantime, the investment made to date will have little impact on either the residents of Cornwall, or on attracting and

1. This requirement will be discussed separately later.

retaining visitors to the area. This is notwithstanding the success of the Hydroplane regatta held at the site in 1975 which was attracted more by the natural qualities of the site and less by the service provided.

Given the intent to use the funds to upgrade Cornwall's attractiveness for visitors and residents alike, the expenditure would probably have generated more impact if it had been more closely related to the Canal Lands Development or the related revitalization of downtown areas.

f) Other Considerations

i) Public Administration

Mention was made earlier of the Transport Canada Training Institute now under construction at Cornwall. Upon completion in 1977, the facility will employ an estimated 190 civil servants, and will house initially some 225 students and ultimately up to 800 students. The employment boost would be partially offset, if the proposed transfer of the Parks Canada Ontario Division and its 200 employees from Cornwall to Guelph were to take place concurrently. Established some twelve years ago to serve both Ontario and Quebec, this Parks Canada office has been seeking a more central location since a new Quebec office was established. Recently, Canadian National also announced that their Cornwall freight office would be moved to Belleville.

ii) Sewage Treatment Plant

While it is uncertain what net impact the above developments will eventually have on Cornwall's economic situation, it is quite certain that the City faces an immediate constraint due to ~~overloading of the present~~ sewage treatment plant. Whereas the sewage treatment plant, which is owned by the Ontario Ministry of the Environment, was completed as recently as 1972 to accommodate a population of 60,000, MOE advises that the facility is already hydraulically overloaded. Apparently, the flows from the combined storm-sanitary system are far greater than could reasonably have been anticipated on the basis of information available during the design phase. The result is that until the plant is expanded, Cornwall's population cannot rise much beyond the present 46,000, and industrial growth will also be curtailed.

The estimated cost of the expansion is quoted at \$5 to \$6 million but the physical dimension of the required expansion is unclear. A design study is now under way, but it is uncertain when funds for the actual construction can be made available due to financial constraints facing both Cornwall and MOE. In the meantime, the lack of adequate sewage treatment facilities in Cornwall is a serious constraint on the City's ability to realize its full potential for development. This could very shortly curtail the effectiveness of the Subsidiary Agreement as a stimulus to development.

APPENDIX "A"

Rationale for the Use of Infrastructure as a Development Tool in Cornwall

There are several explanations as to the mechanism by which the provision of infrastructure could actively lead to development, and consequently achieve the overall objective of a healthier economy. Although the end result is basically the same in each case in that the region has attracted more industrial activity including the possibility of more tourism, there are slight variations in the type of infrastructure required, the timing of the program's impact and in the assumptions underlying the effective operation of the mechanism. It is useful to examine in greater detail the explanations of the way in which infrastructure could foster development, with reference to the specific projects implemented under the Cornwall Subsidiary Agreement, in order to gain an understanding of the implicit assumptions and the expected timing of the impact of the projects.

i) Industrial Park and Tourism

The provision of infrastructure can stimulate the development of an area. It can be in the form of serviced industrial land, as for example the Industrial Park in the eastern part of Cornwall, where the attraction to industry is the availability of serviced land at a convenient site. Infrastructure for amenity needs, such as the development of a tourist and recreational area to the east of the single industry site, or assistance in the development of the Canal Lands, can also be included. Once infrastructure has been provided, and the industrial community and tourist market are made aware of these changes, it is anticipated that industry and tourists would be attracted to the area. Thus, it is perceived that there is potentially a demand for development in the area, but that the potential could not be realized before the infrastructure was provided. However, development is unlikely to occur unless some promotional work is carried out and unless the general economic situation is conducive to development.

Cornwall would appear to be a viable site for industrial and tourist development. The City has locational advantages, as it is situated in the Scenic Seaway Valley, with access to Highway 401, the major railway lines and a bridge to the U.S. There is a high rate of unemployment so that industry could have a readily available labour force. A series of plant closures have left old plant buildings which could be used by prospective firms on a trial basis. Additional details that support the premise that the area has potential for development have been given in, for example, the Price Waterhouse Report¹.

Some evidence of results from the provision of infrastructure, given

1. See a review of the Industrial Opportunity Study for the Cornwall area by Price Waterhouse Assoc., September 1971.

that complementary programs were operating adequately, could be expected fairly rapidly. If the original situation was analysed correctly, the potential of the area had not been tapped because of inadequate infrastructure, so that the provision of infrastructure and promotional work could quickly relieve these problems. In the short run, the variables affected would be the level of industrial activity, employment and population. An increase in tourism and income would also be expected. In the long run, the impact on the socio-economic situation would be more apparent, because of a multiplier effect. Over time, with the improvement in physical facilities, additional industry should be attracted to the area. Increased industrial activity should also improve the financial base of the municipality so that additional services could be provided. Nevertheless, these are long run effects which are unlikely to be evident at this stage.

It was the intent of the Federal and Provincial governments that programs, complementary to the projects implemented under the Subsidiary Agreement, be in place to foster development in Cornwall. It was assumed that there would be an effective industrial commissioner to inform industry about the opportunities available in Cornwall, and that there would be an appropriate organization to boost the tourist industry. Furthermore, it was decided by DREE in 1973 that the incentives offered under RDIA for the Cornwall area were no longer necessary, although loans continued to be offered by EODC.

ii) Single Industry Site

In its most extreme form the explanation of the mechanism by which infrastructure can be used to induce development can be viewed as a "bottleneck" situation, where an actual firm is willing to locate in the area if infrastructure is provided. This was the case for the single industry site on the western boundary in Cornwall, where it was agreed to provide the serviced site upon receipt of a formal commitment by the interested company, Combustion Engineering Superheater Ltd., that development would begin once infrastructure was in place. In this instance, some impact on employment would be immediately apparent once the plant was in operation. In the long run, the industry would be expected to have an effect on the general socio-economic situation.

iii) Civic Centre and Tourism and Recreation Area

The main impact of tourism can be expected through increased employment in the tourist industry and in spin-off benefits to other local businesses. In order to obtain these benefits, it is assumed that Cornwall has the potential to attract tourists once infrastructure is in place. The Price Waterhouse report noted that the ability of the City to attract tourists was perhaps the weakest link in the chain of Cornwall's characteristics. Cornwall is situated between the important tourist attractions of Montreal and the St. Lawrence parks and Upper Canada Village - the latter being associated with Morrisburg rather than Cornwall. Cornwall therefore tends to be by-passed by tourists. The tourist and recreation area, built under the Agreement, would not appear to be a sufficient attraction to draw

tourists to Cornwall, especially when the other attractions in the area are considered. The benefits of the park are therefore likely to be primarily for City residents. However, a hydroplane regatta held on the site drew 20,000 tourists in its first year of operation, which indicated that there are in fact some possible ways to use the site as an attraction which will draw tourists.

The Price Waterhouse Report mentioned that Cornwall has had a fair degree of success in attracting conventions, and so recommended that Cornwall exploit its potential as a convention centre. The City can capitalize on other attractions in the area and on its location for this aspect of the tourism trade. The Civic Centre, which has extensive facilities for conventions, was built as a means to tap this market. Since the convention trade is a specialized form of tourism, the main benefits can be expected in the form of increased employment and spin-off benefits to local businesses.

The provision of infrastructure related to tourism and conventions could also provide an indirect benefit by attracting industry; the construction of a Civic Centre Complex in Cornwall was to provide convention facilities which would not only aid the tourist industry but which would also attract businessmen to look at the area. These businessmen might consider locating a plant in the area if they found it to be suited not only for industrial development, but also an attractive place to live. The provision of convention and recreational facilities and park land, may help to create an attractive enough environmental image for businessmen to contemplate plant locations in the City. This concept of the mechanism by which infrastructure would lead to fulfillment of development objectives is experimental and its future impact should be carefully evaluated. It is assumed a tourist organization to attract conventions to Cornwall will exist. Once conventions have agreed to come to the area, the community must be able to sell the location to prospective industries. Admittedly, some of the locational advantages and the general character of the City would be obvious to the visitor including the amount of developed park land, but it is also likely that some additional promotion would be required. The ability of the City to perform these functions, which are complementary to the provision of infrastructure, must be assessed. The degree to which promotional efforts contribute to the attraction of new industry would be difficult to assess because other factors are also involved.

APPENDIX "B"

Cornwall Subsidiary Agreement Sub-Project Components, Description and Costs*

Project and Sub-Project Description	Estimated Cost of Sub-Project (\$'000)	Estimated Funding			Sub-Project Detail and Description	Estimated Cost (\$'000)
		1974-75 (\$'000)	1975-76 (\$'000)	1976-77 (\$'000)		
<u>EASTERN INDUSTRIAL PARK</u>						
<u>EIP-030 Internal Services</u>						
Construction of Sanitary sewers and watermains	1,435	742	633	60	<u>Sanitary Sewers</u>	
					A1 - Engineering design of sewers not completed	30
					A2 - 3,100' of 18" and 15" pipe along road network yet to be determined	286
					B1 - 1,900' of 21" pipe on Marleau from Education to Boundary	211
					B2 - 3,100' of 18" and 15" pipe along road network yet to be determined	305
					<u>Watermains</u>	
					A3 - Engineering of watermains not completed	20
					A4 - 2,800' of 12" pipe along on Marleau from 200' west of Education to west limit of Lot A	98
					A5 - 3,100' of 12" pipe along road network yet to be determined	110

					A6 - 3,800' of 20" pipe along centre line of Lot A from Second to Marleau	198
					B3 - 3,100' of 12" pipe along road network yet to be determined	117
					C1 - 1,000' of 20" pipe on centre line of Lot A from Marleau to Tenth	60
<u>EIP-040 Local Roads</u>	1,176	769	341	66	<u>Roads</u>	
Construction of all-weather, 24', bituminous local roads, including local granular shoulder and drainage					A1 - Engineering of roads not completed	47
					A2 - 3,400' of upgrading to bituminous surface on Education from Second to Marleau	49
					A3 - 2,500' of bituminous surface on Marleau from centre line of Lot A to Education	178
					A4 - 3,800' of bituminous surface along centre line of Lot A Second to Marleau	273
					A5 - 3,100' of bituminous surface along road allowance yet to be determined	222
					B1 - 3,100' of granular surface along road allowance yet to be determined	187
					B2 - 1,900' of bituminous surface on Marleau Ave. from Education to Boundary	154
					C1 - 3,100' of upgrading to bituminous service on road allowance to be determined	66
<u>CANAL LANDS DEVELOPMENT</u>						
<u>CLD-010 Civic Complex</u>	4,967	1,079	2,146	1,742	A1 - Engineering and design	
Construction of an all-purpose facility to be used as Tourist and Convention Centre as well as					<u>Cost Directly Related to the Building:</u>	
					A2 - Piles and sub-structure	839

Cultural and Recreational Centre

B1 - Arena floor and pipe tunnels	115
B2 - Super structure and roof	455
B3 - Exterior walls	265
B4 - Administration multi-purpose block	278
B5 - Canopy and court areas	47
B6 - Refrigeration and electrical	362
B7 - Heating, air conditioning, plumbing and sprinklers	375
B8 - Internal sewer and water within the perimeter of the basic site	62
<u>Costs related to fixed and movable equipment required for the complex:</u>	
B9 - Fixed and Movable seating	125
B10 - Public address/sound system and score-board	31
B11 - Ice machine and fork lift truck	31
C1 - Sub-floor and stage	28
C2 - Stage and theatre lighting	28
C3 - Sound stage drapes and rigging	38
<u>Site costs within the perimeter of the basic site:</u>	
C4 - Landscaping and parking	1,000
C5 - Internal roads, walkways and Civic Square	301
C6 - Finishes and miscellaneous	337

<u>CLD-030 Landscaping</u>	390	242	148	-	A1 - Engineering design and construction of City Gardens	182
Landscaping of 72 acres of passive community park					A2 - Landscaping of Open Areas	60
					B1 - Balance Landscaping of Open Areas	148
<u>CLD-040 Trunk Services</u>	644	644	-	-	A1 - Pre-Engineering of all existing sewers and watermains to be upgraded on Brookdale Avenue and Water Street	30
Upgrading of existing sanitary and storm sewers and watermains					<u>Sewers</u>	
					A2 - Construction of 6,500' of sewer on Water (combination of sanitary and storm)	250
					A3 - Construction of 3,000' of sanitary sewer on Brookdale	114
					<u>Watermain</u>	
					A4 - Construction of 6,500' of watermain on Water	250
<u>CLD-050 Arterial Roads and Adjacent Sidewalks</u>	1,068	58	1,010	-	A1 - Engineering design of Brookdale Avenue and Water Street	58
Upgrading of existing two lane roads and adjacent sidewalks, plus an additional two lanes terminating in four lane divided and undivided urban arterials to all-weather standards					B1 - Construction of 3,000' of 4 lane undivided bituminous surface on Brookdale	230
					B2 - Construction of 3,000' of concrete sidewalk adjacent to Brookdale	30
					B3 - Construction of 6,500' of 4 lane divided bituminous surface on Water	650
					B4 - Construction of 10,000' of concrete sidewalk adjacent to Water	100

