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CLIMATE FOR DEVELOPMENT WESTERN REGION

**Manitoba, Saskatchewan,
Alberta and British Columbia**

**One of a series of supplementary working papers
prepared for submission to the Standing
Committee on Regional Development by the Minister of
Regional Economic Expansion.**

1976



**Regional
Economic
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**Expansion
Économique
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WESTERN REGION



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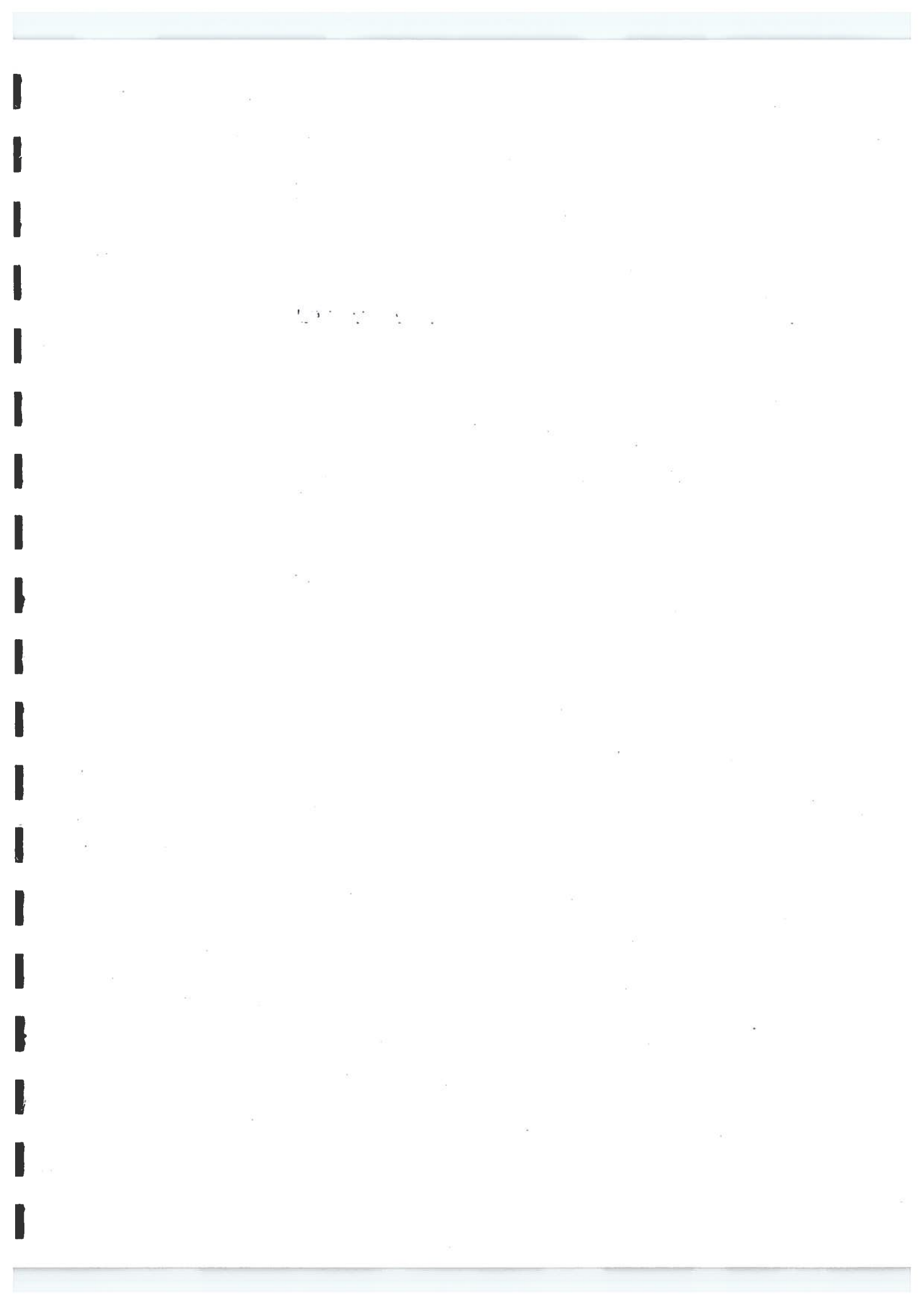
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FOREWORD

The establishment of the Department of Regional Economic Expansion in 1969 underscored federal government concern for regional development. Experience and analysis since then have helped forge a much broader and more comprehensive approach to the subject.

To arrest the trend toward increased concentration of economic activity in Canada's industrial heartland and to ensure that the potential of each region is tapped, it has been recognized that a more closely integrated approach by all levels of government is required. Many policies and programs at all levels of government affect economic development and a high degree of coordination is necessary to achieve progress in this field.

Each province has its own set of social and economic circumstances and developmental opportunities. Effectiveness in regional development policy, therefore, depends to a considerable extent on a continuing process of regional and provincial analysis. These reports are designed to help ensure that regional and provincial circumstances, priorities, and concerns are reflected when new or modified public policies are being formulated.

This volume includes a regional report and reports for each western province. The regional report provides an overview of the economic circumstances and development concerns within the Western Region as a whole. Each provincial report is comprised of three sections. The first section presents a summary of the report and outlines developmental prospects. The second section highlights economic circumstances that have an important bearing on the process of economic development. The third section describes a number of constraints to development and, more positively, some major opportunities for future development.

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THE WESTERN REGION

SUMMARY AND PROSPECTS

More than 6 million people were living in the Western Region in 1975 producing approximately 28 per cent of the country's output. Following a period of sustained growth in the early 1970s, western Canada reacted unevenly to the recent slowdown in national economic activity. Activity on the prairies has generally not followed the national decline and some sectors have exhibited substantial growth. In British Columbia, the lessened demand in international markets for forest products and the decline in mineral production resulted in decreases of provincial output and production.

The structure of the western economy continues to be dominated by resource activities and heavily dependent upon international trade. Agriculture and the extractive industries together accounted for nearly 47 per cent of the \$16 billion total value-added in the goods-producing sectors in 1973. This was approximately 26 per cent above the national equivalent for these industries. Service and trade sectors accounted for over one million employees, or 45.5 per cent of total employment. Manufacturing, with 339,000 employees in 1974, was the third-largest employment group. Its 14 per cent share of regional employment, however, was well below the Canadian average.

Throughout 1973, and well into 1974, all four western provinces had expanding economies based upon rising world commodity prices. Some of these prices, such as wheat and potash, remained at relatively high levels through most of 1975 although demand for potash had softened by the end of the year and some mines reverted to part-time operation. For other resource industries, where prices and output had risen rapidly over the 1972-73 period, the last months of 1974 brought declines. Lumber production in British Columbia and Alberta were early casualties to the recessionary trends emerging outside the west.

Unlike previous periods of economic slowdown, the trend of commodity prices in 1974 and early 1975 partially sheltered the traditionally weaker western provinces of Manitoba and Saskatchewan from the full rigours of the economic downturn. High grain prices, unaffected by the reductions in demand experienced in other sectors, provided a basis for major gains in net farm incomes in 1974. By 1975 rising farm costs and depressed livestock markets substantially reduced the rate of increase of net farm incomes in Saskatchewan, Alberta, and British Columbia, and led to declines in Manitoba.

It is anticipated that the continuation of these trends throughout 1976 will likely result in further declines in net farm incomes throughout the west. Until late in 1975, there was continued expansion in potash and uranium mining in Saskatchewan, and in the copper and zinc industries in Manitoba. Growing regional markets, that were further stimulated by the buoyant resource industries, allowed for continued manufacturing expansion in both provinces in 1974 and 1975 although prospects seem less bright for 1976.

Since 1973, the expansion of regional output has been checked by growing supply constraints within the region. Labour, housing, and construction materials have all been in short supply. These constraints, in combination with the rising prices of labour and capital, suppressed expansion in the oil sand, potash, construction, and manufacturing industries.

In addition, changing federal and provincial government policies toward resource revenues and taxation in the oil, gas and mining industries have led to uncertainty for their future prospects. The combination of this uncertainty with continued cost inflation has contributed to the loss and deferral of activities in both the mining sectors in British Columbia and Saskatchewan and the tar sands of Alberta.

Future prospects for the regional economy suggest continued growth in the short term. The demand for many regional commodities seems reasonably firm in spite of world recessionary trends and the growing supply constraints. These should provide a basis for the regional economy to continue to expand in 1976. High levels of activity should prevail in the prairies although continued declines from the record 1974 levels may be expected. Prospects are less bright in British Columbia given its closer trading ties to currently depressed world markets. Recent forecasts suggest that this province's resource industries may not pick up until into 1976.

The Agricultural Review suggests that a wheat acreage of 26 to 27 million is needed in 1976 to supply world markets and replenish the exceptionally low Canadian inventories. This would mean a 10 per cent increase over 1975, although this expansion of wheat acreage can only be achieved at the expense of summer fallow. Poor harvests in the USSR and Europe have

contributed to high wheat prices in 1975. High prices are predicted for 1976 as well. Although final Wheat Board payments in 1975 amounted to \$387 million, rising operating expenses in the agricultural sector can be expected to further reduce the net cash return per bushel in 1976.

Increases in housing construction starts in the province may marginally improve the position of the British Columbia forest products industry, but the recent upswing in the United States housing market will be of more significance. Regardless of the outcome of oil sand developments, investments in the energy processing sectors will continue through 1976. Coal expansion continues for thermal generating capacity and export to Ontario. Construction continues on hydro development in northern Manitoba. Gas-based fertilizer plant expansions in southern Alberta are projected for the next few years. Manufacturing growth based largely upon regional markets continues in 1976. Pipeline activity in both Canada and Alaska should place strong demands upon the region's steel-making capacities.

The longer-term prospects for regional growth and change are less buoyant as considerable adjustments may be required. Many previously rising commodity markets have declined in 1975. Although wheat prices remain at near record levels, a bumper grain crop in 1976 could trigger price declines and substantially smaller farm incomes.

In the longer term, a rationalization of the grain handling industry will occur. Pressure for change in the prairie grain-handling system is gaining momentum. Rail line abandonment proposals are currently being examined by the Hall Commission, provincial governments and industry. The Snavely Commission is attempting to quantify the costs of transporting grain in western Canada.

By 1977, changes in freight rates, terminal and elevator locations, and active rail lines should provide the basis for a new western transportation system. Together, these changes will have severe impacts upon some communities and may increase levels of urban concentration in the prairies. Both railway transportation and community viability are considered to be basic ingredients of the western socio-economic environment. It is unlikely that changes will occur without important ramifications for long-term regional development in the west.

In the energy sector, the future of the non-conventional oil sands resource is by no means clear. National Energy Board Reports state the need for long-term assured supplies of both oil and natural gas. Current oil sands development costs have escalated to the point where the economic viability of oil sand projects has been questioned. Further development, therefore, may be contingent upon the higher domestic prices expected during 1976 and stable taxation and marketing policies.

In spite of these trends, a large number of major projects remain scheduled for the region during the late 1970s. These include ethylene, fertilizer and oil sands plants in Alberta; continued steel expansion in British Columbia, Alberta and Saskatchewan; hydro construction in Manitoba; and the possible construction of a Mackenzie Valley pipeline. Furthermore, the changing energy environment has encouraged major coal developments in British Columbia and Alberta. These activities can all be expected to boost regional output.

This projected capital-intensive industrial boom will place severe strains upon the western labour, transport and housing markets. Shortages of skilled labour, for example, are apparent already in Alberta and the western northlands. Over the next decade, the Western Region's internal labour supply may not be adequate to satisfy its growth. Transport constraints may also emerge. Congestion seems a likely possibility on major links with both western and eastern markets and suppliers.

In addition to economic constraints, significant social adjustments are emerging throughout the west. The western northlands remains a "third world" for many of its Native residents where income, living and employment opportunities are not comparable with their southern neighbours. Population growth is increasingly concentrated in the region's metropolitan areas thus upsetting the west's established settlement patterns. Current proposals to rationalize many aspects of the grain-handling system will contribute to this trend.

A broad range of issues and agencies will, therefore, be involved in the future development of western Canada. The spatial and sectoral diversification of all four western provinces remain primary objectives, although the magnitude of issues in the western northlands will clearly require separate initiatives. Selective change, rather than absolute growth, is generally seen throughout the region as the basis for

rational development. Even within the relatively prosperous areas of the prairies, pockets of significant economic and social difficulties remain. In British Columbia, many single-industry resource towns have experienced abnormally high levels of unemployment resulting from the declines in mining and forest activity. The identification and eradication of such problems will continue to be a primary concern for regional development initiatives in western Canada.

ECONOMIC CIRCUMSTANCES

Demographic Trends

Western Canada's population exceeded 6 million by 1975. Over the previous five-year period, the west's population grew at an average annual rate of 1.8 per cent and the west marginally increased its share of the national population to nearly 27 per cent. Within this expanding regional total, however, considerable variation existed. The majority of growth occurred in British Columbia and Alberta. Together these two provinces accounted for over 68 per cent of the western population in 1974. Manitoba also showed absolute population growth but at an average annual rate of only 0.9 per cent, which was inadequate to maintain the province's share within the region. In contrast to the gains made by the other three provinces, Saskatchewan's population fell by 50,000 between 1969 and 1973. In 1974, however, the 1973 level of 908,000 was maintained and in 1975 the provincial population rose to 918,000.

Internal migration has played an important role in the changing population balance. Between 1969 and 1973, 60 per cent of Canadian migrants to British Columbia originated in the prairies. Nearly 75 per cent of the Albertan in-migrants came from within the western region. Declines in new entrants to the labour force and in under-employment can be expected to reduce the level of these movements in the future, particularly as employment opportunities expand. Early signs of this trend were apparent in in-migration experienced by Saskatchewan in 1975. In the Manitoba economy, net out-migration in 1975 replaced the demographic inflows experienced in recent years.

The shift of the region's population to Alberta and British Columbia has been accompanied by significant urban expansion. Eighty-eight per cent of the west's growth from 1966 to 1971 occurred in centres with populations in excess of 15,000 persons in 1971. The seven census metropolitan areas within the region increasingly dominated population expansion. By 1971 they accounted for over half of the region's population.

Smaller centres showed less vitality. Between 1966 and 1971 there were 144 non-metropolitan centres in the west, with populations in excess of 1,000, that were either static or declining. Of these, 86 per cent had populations of less than 5,000 in 1971. Rural population declined in all four provinces.

According to the 1971 census, over 180,000 Indians or 60 per cent of the national total, were living in western Canada. Of this figure, 128,000 were fairly evenly divided among the three prairie provinces. The remaining 52,000 resided in British Columbia.

Registered Indians in the west continue to migrate from their reserves into major urban areas. In 1971, over 10 per cent of western Indians lived in the seven western metropolitan centres. The largest concentrations existed in Winnipeg and Edmonton. Alberta's Indians were the most urbanized, with nearly 15 per cent located in Edmonton and Calgary. At the other extreme, only 6 per cent of British Columbia's Indian population resided in urban centres.

The Indian reserve population rose by 3.4 per cent in 1974 to 121,479. This increase resulted from, in part, the approximately 2.5 per cent rate of natural increase for Indians in the west, which is more than double that of Canadians as a whole. In addition, the phenomenon of return to the "home area" following an initial departure, is a factor in the rising number of reserve Indians.

Labour Force and Employment Trends

By the end of 1975 the Western Region's labour force was approaching 2.7 million. Approximately 41.5 per cent of this total is in British Columbia and the remainder is in the prairies. Average annual labour force growth, between 1970 and 1974, exceeded the national average in British Columbia and Alberta. Their rates were 4.8 per cent and 3.7 per cent, respectively. In Manitoba and Saskatchewan labour force growth rates of 2.8 per cent and 0.9 per cent were substantially below the national rate of 3.5 per cent. Reduced birth rates in recent decades, however, imply that until at least the 1990s there will be absolute declines in the numbers of new entrants to the labour force from the existing regional population.

The national labour force growth rate of 3.7 per cent was exceeded in both Alberta and British Columbia during 1975. Saskatchewan, at 3.3 per cent, was below the national figure, but still relatively strong. Manitoba's labour force growth rate of 0.7 per cent was the lowest of the four western provinces.

Generally, labour force participation rates have been high in the Western Region, reaching 64.2 per cent in Alberta in the summer of 1974. In 1975, participation rates exceeded 60 per cent in Alberta and British Columbia. In Manitoba and Saskatchewan the annual rates were 58.0 and 56.2 per cent, only slightly below the national rate of 58.8 per cent.

In all four western provinces, employment grew faster than the labour force. Between 1970 and 1974, the regional annual average employment growth of 4.2 per cent substantially exceeded the national performance of 3.8 per cent. In 1975 the average rate of prairie unemployment was 3.5 per cent. During the fall and summer of 1974, unemployment rates in the prairies were even lower, below 2.0 per cent. However, in British Columbia, traditionally a higher unemployment area, the effects of the slowdown in the forest, mining and construction industries have been severe. The unemployment rate in that province exceeded 8 per cent throughout most of 1975.

Price and Income Trends

Transport costs were increased by rising wage and fuel bills, and the abolition of the rail rate freeze by the Canadian Transport Commission early in 1975. Consumer price indices for all western Canadian cities rose by more than the national increase of 9.5 per cent in 1975. However, during the last months of 1975, the rates of increase were declining and for Regina the level of the price index had declined.

Wage increases picked up considerable momentum in recent years, particularly in the tight labour market of the prairies. Wages and salaries per employee in the prairies rose by nearly 10 per cent in 1974 - more than 2 percentage points faster than the national rise of 7.8 per cent but still below the rate of increase in the Consumer Price Index. During the first eight months of 1975, the rate of increase in wages and salaries remained above the national rate of 7.2 per cent. Wages and salaries increased by 9.8 per cent in Alberta, 8.6 per cent in Saskatchewan, 8.5 per cent in Manitoba and 7.3 per cent in British Columbia.

Regional personal income per capita increased by 19.4 per cent in 1974 to \$5,021, marginally above the national average. The increase in western farm incomes has contributed to the rise in regional personal income per capita.

Industrial Performance

High levels of international demand, coupled with supply disruptions, resulted in a commodity boom for the region's products during 1973 and the first half of 1974. Prices for wood products, coal, oil, gas, sulphur, potash, metallic minerals, and agricultural commodities all rose dramatically.

With the possible exception of energy resources, the commodity boom of 1972-74 represented a rather extreme phase in the longer-term fluctuations of boom and bust commodity markets. The role of provincial and federal governments in attempting to stabilize these movements has been intensive during this period, especially in agricultural commodities, such as hogs and livestock, and in industrial commodities, such as potash and oil.

The resource-oriented western economy retains its cyclical nature despite attempts to ameliorate it. For many commodities, the peak had passed by the end of 1974 even though some prices remained firm until late 1975. Livestock prices fell rapidly from the fall of 1974 to the middle of 1975. Wheat prices edged down from the record levels of approximately \$5.60 per bushel in August despite the relatively poor 1974 harvest. Lumber markets and prices declined rapidly due to the depressed housing industry. Copper and potash prices also softened in 1975.

In spite of its undeniable benefits, the commodity boom may have slowed diversification in the western economy. Thus, the high profitability of wheat is encouraging the return to agricultural specialization. Wheat acreages have increased by over 27 per cent since the 1971-72 crop year.

Within Western Canada, the structure of employment showed considerable provincial variation. Over the 1969-75 period, Manitoba and Saskatchewan achieved the most progress toward diversification. These provinces had the largest relative growth of employment in their manufacturing and service sectors and the largest relative declines in their primary activities. In Alberta, employment in manufacturing declined relative to other sectors. In British Columbia, the structure of the economy changed little in the early 1970s. Employment in manufacturing exceeded the combined employment of the resource industries for the first time in 1974.

Agriculture

Regionally, net farm incomes in response to higher world grain and livestock prices, more than doubled between 1972 and 1975 to reach \$2.6 billion. Increased wheat production in the prairies contributed most to the rising farm incomes. In 1975, due to rising operating costs and lower agricultural yields, the regional net farm income increased by only 3.7 per cent, well below the 9.5 per cent increase recorded the previous year. In Manitoba, net farm incomes have fallen for the past two years.

Livestock and related activities also made contributions to farm incomes, but under considerably more unsettled market conditions. In 1975 livestock and related activities produced over \$1.9 billion of the \$5.6 billion regional farm cash receipts. This was 34 per cent of the total, considerably lower than the 46 per cent share achieved in 1972.

Forestry

Developments in the forest products industries have been heavily concentrated in British Columbia. Stumpage rates were increased in early 1974, but had to be rolled back in later months as declines in construction in Canada and the United States reduced lumber industry activity. Between 1973 and 1975, timber output has declined by 25 per cent.

In 1975, nearly 20 per cent of the forest industry's labour force was unemployed. Strikes by both the pulp and paper workers and the wood workers further depressed the industry's output. Production only increased following a return to work order legislated by the provincial government.

Mineral Production

After substantial increases in 1974, prairie mineral production levelled off in 1975. Copper and zinc production declined in Manitoba and partially offset the increases in nickel output. Production quotas for potash were removed in Saskatchewan during 1974, but were re-established by the end of 1975.

Throughout the prairie provinces, mining industry expansion was severely handicapped by shortages of labour and construction equipment. Labour turnover rates exceeded 150 per cent in many smaller mining communities, and was a factor

in keeping production below maximum levels. In contrast, in British Columbia, stronger ties with the United States and Japanese markets led to substantial declines in provincial mining output. Copper production, for example, after a sharp rise in 1973, fell by nearly 20 per cent in 1974 and 1975, to an estimated 560 million tons. The dollar value of coal exports doubled in 1975 and production was about 30 per cent higher than in 1974.

Energy Extraction and Processing

The most spectacular aspects of the region's growth occurred in the energy sector. Higher international crude oil prices in 1973 changed the economic rationale for energy supply in the region. In Alberta and Saskatchewan, crude oil production rose to capacity; gas and oil exploration increased initially, and oil sand development appeared economically justified. Great Canadian Oil Sands Ltd. initiated expansion plans. Four other plants, including Syncrude, were projected to be on-stream by 1985. The oil shortage produced a brighter future for other areas of energy supply. The markets for both coal and uranium improved, unlike the depressed conditions they experienced in previous years.

By the end of 1974, however, prospects for a sustained investment boom in western energy extraction and processing industries had been substantially weakened and they did not improve significantly until late 1975. By the end of 1974 the oil price of \$6.50 per barrel looked far less attractive to producers. Escalating development costs resulted in the deferment of several oil sand plants.

By 1975, the costs for the major Syncrude oil sands project had nearly doubled to \$2 billion. In February 1975, the governments of Canada, Alberta and Ontario refinanced the project by taking a \$500 million, 30 per cent equity interest in Syncrude. Great Canadian Oil Sands Ltd., the only existing synthetic oil producer, recorded a loss of almost \$1 million during 1975.

The changing economic climate in the spring of 1975 led the Alberta and Saskatchewan provincial governments to make taxation and funding concessions to the oil industry. The federal government provided similar assistance in the summer budget and raised the domestic price of oil to \$8.00 per barrel. In early 1976, the Saskatchewan government announced further financial incentives to the oil industry.

These developments coincided with Gulf Oil's announcement to double their 1975 level of exploration effort. Coal mining activity increased in 1975 in both British Columbia and Alberta. New mining developments are under active consideration in the Hat Creek and Cache Creek areas of British Columbia.

Manufacturing

Manufacturing growth in the region is centred upon the agricultural, forest products, steel and energy processing industries. Current proposals for rapeseed crushing plants on the prairies and a malt plant in Biggar are typical of further agricultural processing. In contrast, the livestock processing industry has reduced output throughout the west in the face of depressed market conditions. Similar declines have occurred for British Columbia's lumber products. Steel expansion continued with increases in installed capacities at IPSCO's operations in both Regina and Edmonton, and the completion of a \$1.5 million iron foundry in Saskatoon.

Petrochemical and fertilizer manufacturing has become increasingly concentrated in Alberta. In 1973, following the oil crisis, the Alberta government committed itself to a program of petrochemical diversification, based upon provincial oil and gas supplies. While the viability of many of the developments based upon oil has been undermined in recent months, considerable activity is underway or scheduled in natural gas processing. Several fertilizer, ammonia and methanol plants are under construction in southern Alberta and will add substantially to the region's petrochemical capacity.

Capital Investment

During the 1970s the west accounted for approximately 32 per cent of national investment. Per capita levels of investment have declined in recent years, although they remain above the Canadian average. Regional investment in 1974 was up by nearly 22.4 per cent over 1973, reaching almost \$12.5 billion. However, during 1975, the rate of increase of investment declined to 13.8 per cent. Capital spending in the primary and construction sectors was especially strong. On the other hand, significant declines occurred in public investment. In part, this may be attributed to high interest rates and a scarcity of construction labour and materials. Both the Manitoba and the Saskatchewan governments cited these factors as contributing to the deferral of selected public projects during 1974.

Housing

Housing starts in 1974 declined less in the west than nationally, by 12.6 per cent compared to 17.3 per cent. In the first half of 1975, the rate of housing starts remained marginally above the national average although it had declined by 28 per cent over the same period in 1974. In Manitoba and British Columbia, house construction declined more than the Canadian average. Saskatchewan's performance offers some explanation for the relatively high level of regional housing activity. In this province, housing starts increased by 20 per cent in 1974 and fell by only 4 per cent in the first half of 1975. In the last half of 1975, housing starts were almost double the 1974 levels.

SOME REGIONAL CONCERNS

Economic Diversification

The diversification of the western economy remains a persistent regional issue. The potential for diversification within the west is clear since most natural products of the region are processed elsewhere. Freight rate structures tend to encourage this pattern of activities. By processing a higher proportion of resources in western Canada, significant financial and employment benefits could be obtained. Agriculture, particularly in Saskatchewan, is still too dependent upon the volatile grain economy. A diversified region would be less vulnerable to periodic slumps in commodity prices.

Two recent developments are now reinforcing this traditional argument for diversification. Firstly, forecasts of Canadian energy supplies by the National Energy Board emphasize the limits to cheap western oil and gas. Without resource revenues, the financial position of the west would be substantially changed. Industrial diversification, prior to resource depletion, is therefore seen as the only long-term hope of maintaining income and employment opportunities within the region.

Secondly, recent higher prices for many western commodities have encouraged a return to specialization in primary resource production. Between 1971 and 1974 for example, high grain prices increased agriculture's share of the gross regional product from 4.3 per cent to 9.1 per cent, but as a result the agricultural industry became even more dependent upon cereal products. Oil and gas increased their share of Alberta's gross provincial product from 18.5 per cent in 1973 to 20.6 per cent in 1974. In contrast to the recent strength of the resource sectors, manufacturing has grown slowly in all western provinces. Manufacturing employment as a proportion of total employment is well below the national average in all four western provinces.

Strategies to achieve economic diversification vary widely. All western provinces pursue aggressive agricultural policies to reduce their dependency upon a single product. They have been assisted in this by the federal government through ARDA, PFRA and other programs. Agricultural processing is seen as one alternative which may provide secondary employment opportunities in rural areas. Forest product developments may serve similar

needs in the western northlands. In Alberta, the creation of a world-scale petrochemical industry has been identified as a prerequisite for many further manufacturing developments. World-scale ammonia, methanol and ethylene plants have all been encouraged by Alberta.

In Saskatchewan, the steel industry is seen as a logical complement to existing agricultural implement and pipeline manufacturing activities. In British Columbia, the development of large coal reserves in both the northeast and near Cache Creek may widen the resource base of the economy. In the latter area, the location of such energy-intensive industries as aluminum smelting may be encouraged by the development. In addition, provincial government industry specialists, in cooperation with Japanese entrepreneurs, have identified steel development as a possible basis for further diversification. In Manitoba, a more selective approach has been adopted. High technology, aerospace, printing and publishing industries are considered appropriate for Winnipeg. A provincial policy with respect to mineral processing is encouraging further processing in northern Manitoba.

Obstacles to diversification can be found in all sections of the western society and economy. Small geographically dispersed western markets and labour shortages both restrict manufacturing expansion. Freight rate structures are a barrier to the development of certain industries. Competition from established industries from central Canada and the United States further restricts industrial expansion.

Transportation

Transportation infrastructure and freight rates remain a central theme of western development. During 1976 these items are expected to remain significant and contentious issues. One current focus for transport questions in the west is the rail line abandonment proposals. These identify lines for immediate and possible abandonment and routes that should be maintained as the basis of the western rail system. These issues are currently under detailed examination by the Hall Commission of Enquiry into Grain Handling and Transportation. The network that finally emerges, following the commission's investigations, will undoubtedly have a considerable impact upon the grain handling alternatives available to the west.

Modest rationalization of the grain-handling industry has been under way since the 1960's. Large declines have occurred in the numbers of grain delivery points, country elevators and grain-handling companies, although storage capacity has shown a marginal increase. These changes have important implications for the final form of the grain-delivery system (terminals, high throughput elevators, country elevators or some combination thereof) and the nature of the road and rail network required to serve it.

In addition to the grain-handling system, a variety of other related transport issues are apparent. Rail freight rate increases, frozen during 1974 and part of 1975, have remained a subject of controversy.

As prairie production grows, the need increases for expanded main route capacity for exports to British Columbia and Ontario. Pacific-prairie links through the Rockies are, therefore, emerging as a significant regional transportation constraint. Additionally, difficulties associated with international grain shipments, mainly through rail shortcomings (e.g. boxcar shortages), port capacities, and waterfront industrial disputes create further restrictions.

Western production is heavily concentrated in a number of transport-sensitive industries. Grain and livestock farming, agricultural processing, mining, and steel manufacturing, are all industries where transport costs are a large element in the delivered price. Changes in the efficiency and cost of the region's transportation system can therefore seriously influence the competitive position of many of western Canada's basic activities. Further, changes in relative freight rates, especially as they affect feed grains, livestock, and meat, may lead to alterations in both the present agricultural mix and the location of processing plants.

The rail abandonment, freight rate and infrastructure developments could all lead to a rapid rationalization of the multimodal transport system of western Canada. This system will provide the basis for many other regional policies until the end of the century.

Western Labour Market Constraints

Industrial expansion presently underway and planned for the region over the next decade will place severe strains upon the western Canadian labour market, despite current unemployment in British Columbia. Shortages of skilled labour are already apparent in the western northlands. In the summer of 1974, the unemployment rate in all three prairie provinces fell below 2 per cent and remained below 3 per cent during the summer of 1975. A large number of major projects are planned for the 1970s and 1980s. These include ethylene, urea and ammonia plants, thermal-generating stations, a refinery, the MacKenzie Valley pipeline, and possibly several oil sands plants. Therefore, it is anticipated that the long-term growth of the western economy will produce an excess of employment opportunities over the regional labour supply.

In a tight labour market a number of economic adjustments may be expected. Industrial opportunities might be foregone or deferred. Capital may be substituted for labour as the cost of labour increases. Between January 1973 and August 1974, for example, average weekly wages and salaries in western Canada rose nearly 20 per cent faster than the national average rate of increase. Labour may be attracted from lower-paying agricultural or mining regions. Smaller mining communities in the western northlands were experiencing annual turnover rates in excess of 150 per cent in 1974. These adjustments have important consequences for spatial and industrial diversification.

Two main sources are viewed as providing possible relief for this projected imbalance in the western labour market. First, a significant increase in western Canadian female participation rates could partially alleviate the overall shortages. Second, migration, and in particular, the attraction of immigrants to western Canada will be important.

Native Concerns

Land and aboriginal rights claims by native peoples could have considerable effect on development strategies in many parts of the region. Delays in development may occur until land rights are settled by the courts. Once settled, however, possible monetary benefits from the settlement, accruing to band members, are likely to be spent within the previously-contested areas. This may provide a significant boost to the development of certain areas, particularly in the western northlands, that have traditionally exhibited low income and employment opportunities.

Following the settlements with the Alaska Indians and the James Bay Cree in Quebec, a variety of Native groups in the west are examining the legal possibilities for land settlements. In northwestern British Columbia, the Nishga will not allow development changes to occur until future titles to the land are clear. Similarly, both the Enoch Band near Edmonton and the Stoney's in the Kootenays are actively engaged in claims associated with development projects. In other regions, such as northern Saskatchewan, it seems likely that development proposals will not be considered until the land claims are settled.

The legal background to the claims issue is by no means uniform throughout the west. In some cases, such as the Stoney's Big Horn claim, the native rights have been recognized by the federal government but provincial approval has not been forthcoming. Private citizen rights are delaying other Native developments such as that near Carlyle, Saskatchewan. Nishga land claims in British Columbia have long involved disputes between federal and provincial jurisdictions and discussions are now underway with the native peoples in an attempt to resolve these issues.

People of Native ancestry in western Canada, on the whole, remain excluded from positions of power and prestige in the society at large. Their sense of alienation, particularly as many move to the larger western cities, has caused significant social unrest in the native community. The requirement for meaningful representation and participation by native peoples, in both the public and private sectors is an essential prerequisite for the increasing numbers who may choose to become fully integrated in western Canadian society.

Other Issues

In general, development opportunities identified in the region imply a concentration upon the diversification of the western Canadian economy; the geographic dispersion of activity; and a continuing involvement in northern affairs. In particular, agricultural processing and other forms of locally-suitable resource upgrading represent immediate development opportunities in all four western provinces.

The absence of a mature steel industry in the west makes the region particularly vulnerable to supply shortages. As a distant, relatively small customer, the western market could neither negotiate preferential prices nor have its deliveries from the eastern producers guaranteed. Initiatives for the establishment of a western steel industry are in part a response to these problems. Such concerns are not restricted to the steel industry, but extend to a wide range of basic manufactured goods such as rubber, plastics, electric motors, and engine parts, and higher-level services such as specialized consultants, brokers, finance houses and computer software companies.

In addition to these major constraints for western development, there are other less topical problems. For example, there is a critical absence of financial institutions in western Canada capable of supplying the venture capital necessary to create a fully diversified regional economy. Credit Unions are widely sponsored in an attempt to expand the financial system. Demands for western banking systems, that are not dependent upon central Canada, represent a partial response to this need. More directly, all the provincial governments have become involved in funding selected commercial and industrial enterprises, through development corporations or incentives programs, to encourage the development of high risk activities.

The socio-economic environment in the west's resource-based economy creates problems for several levels of activity. Few Canadian corporations locate their head offices or research and development establishments in the region. In 1974, only 11 of the largest 100 Canadian corporations had their headquarters in the west. Inadequate community infrastructure in many resource-industry towns contributes to high levels of labour turnover. A relatively small regional population base is a significant restraint to the growth of a regional manufacturing industry whose primary market is in western Canada.

MANITOBA

SUMMARY AND PROSPECTS

After an exceptionally strong economic performance in 1974, the Manitoba economy slowed down somewhat in 1975 due to declining demand for mineral and forest products and a very low level of residential housing starts. The unemployment rate in 1975 was 3.7 per cent compared to 3.1 per cent in 1974. Although no major cutbacks in industrial production took place, there was little growth in this sector during 1975. The estimated value of agricultural production grew by 7 per cent to \$1,106 million in 1975. Gross farm cash receipts were estimated at \$888 million, up 5.5 per cent from 1974. The Consumer Price Index rose by 11.3 per cent in Winnipeg over the period from December, 1974 to December, 1975. The national average CPI increase was 9.5 per cent over the same period. Social and geographic problems persist, particularly in relation to northern Native peoples opportunities.

Future development in the province is expected to be a process of building on and diversifying the current economic structure, with inputs from both the private and public sectors. Public sector involvement in economic development in Manitoba is already substantial. Efforts to diversify the southern, agriculturally-based economy are expected to continue. In the north, the developmental thrust is toward further processing and refining of minerals and other natural resources. This is coupled with an emphasis on social and infrastructure programs in support of the "stay option" and efforts to increase Native participation.

Opportunities for development are currently being investigated in the fields of transportation equipment, farm machinery and agricultural processing. In northern areas, tourism, forestry and service industry initiatives which are compatible with economic development of small communities are also being studied.

ECONOMIC CIRCUMSTANCES

Demographic Trends

The population of Manitoba reached 1.02 million by July 1st 1975, a 0.9 per cent increase over the July 1, 1974 estimate. This rate of growth was substantially below the 1.4 per cent level achieved in the previous twelve-month period, primarily due to a change from positive net in-migration to net out-migration. The provincial birth rate also continued to decline.

Native population on Indian reserves in Manitoba grew at an average annual rate of 3.4 per cent between 1966 and 1973. The annual rate of increase has declined in recent years. In 1973 reserve population grew by only 2.7 per cent compared with the 4.0 per cent increase recorded in 1967. The province's reserve population is approximately 31,000. There are also 10,000 Treaty Indians located off reserves. Even given this lower growth rate, the native population continues to grow at a rate which is more than double the provincial average.

Winnipeg accounted for most of the urban growth in Manitoba in 1975 and by year-end contained nearly 60 per cent of the province's population. Except in the southeast, near Winnipeg, rural areas in the southern half of the province continued to lose people. Preliminary population estimates for northern Manitoba indicate a leveling-off of growth in Thompson, Churchill and Leaf Rapids.

Employment Trends

In 1975, the provincial labour force increased by 3,000 to 427,000. This represents a provincial growth rate of 0.7 per cent. The national rate was 3.7 per cent.

Labour force participation rates fell during the year to 58.0 per cent - marginally below the comparable 1974 level. Labour force participation by the approximately 85,000 status and non-status Native people who live in Manitoba was estimated at only 35 per cent in 1975. This reflects the generally disadvantaged position of the Native population, particularly those living in the north.

Manitoba's average unemployment rate in 1975 was 3.7 per cent, significantly lower than the national rate of 7.1 per cent. Employment in the province remained static or, in some areas, actually decreased. The actual number of employed persons in November, 1975 was 406,000, compared to 409,000 during November, 1974. However, in northern areas, shortages of skilled tradesmen in the mining, forestry, housing and construction industries continue.

Inflation and Income Trends

Per capita income figures for Manitoba in 1975 are not presently available. However, preliminary indications show that incomes rose less in 1975 than in 1974. Average weekly wages and salaries during the first nine months of 1975 reached \$190.06 compared to the 1974 average of \$162.72.

An 11.3 per cent rise in the Winnipeg Consumer Price Index was recorded between December, 1974 and December, 1975. This rate was substantially above the national average of 9.3 per cent for the same period.

Housing

Housing starts declined 10 per cent in 1975 from the 1974 level of 8,752 units. Completions in 1975 are estimated at 8,760 units, a 28 per cent decline from 1974.

High mortgage interest rates, a lack of serviced land, and general increases in construction costs due to price increases in labour and construction materials have all contributed to the decline.

Capital Investment

Total new capital expenditures are estimated to have reached \$1,475 million during 1975; an increase of only 4.9 per cent over 1974 and, considering the rate of inflation, a drop in the real level of investment.

Industrial Performance

Manitoba's gross provincial product grew by 8.3 per cent to a little over \$6.5 billion in 1975. Since 1971, Manitoba has improved its current dollar rate of growth in each successive year. Annual increases of 10.8 per cent, 15.9 per cent and 18.5 per cent were recorded between 1971 and 1974. However, after allowing for variation in prices, real annual growth was nearly stable at 9 per cent. In contrast, preliminary estimates indicate that the Manitoba economy experienced no real growth in 1975.

Agriculture

There was a significant slowdown in agricultural activity during 1975 in comparison with the rapid growth which characterized the previous few years. Gross farm cash receipts were \$888 million in 1975 compared with \$842 million for 1974. This represents a 5.5 per cent growth rate in 1975 as compared to a 35 per cent rise in 1974. Total net farm income in 1975 declined from 1974 levels to approximately \$330 million. Factors influencing these trends include a decline in crop sales receipts and higher operating costs. In addition, livestock production is down in almost all sectors, with hogs and beef calves experiencing the most dramatic declines. Hog production in 1975, for example, was about 800,000 animals, down from the 1.2 million of a few years ago. Although programs have been instituted to reverse this trend, they will take time to be effective.

Mining

The value of mineral output from Manitoba's mining industry rose to \$533 million in 1975, a 9.7 per cent increase over the 1974 level. Copper production decreased by approximately 15 million pounds to 142 million pounds. The value of this product fell by nearly 26 per cent to \$90 million. Zinc production grew by 28 per cent to 146 million pounds, and was valued at \$55 million. Nickel production in 1975 was approximately 141 million pounds. The value of production was \$293 million higher than the 1974 value of \$222 million. The reduction in copper production was largely due to softening of world

demand. Nickel production increased due to a decision by International Nickel to build up inventories from its Manitoba operations. The market prospects for both copper and nickel will improve as economic recovery occurs in the United States and Japan.

Manufacturing

The value of manufacturing output was approximately \$1.84 billion for the first three quarters of 1975, an increase of 10 per cent over the same period in 1974. Three sectors which did show substantial growth - farm machinery, chemicals and transportation - will have difficulty sustaining expansion during 1976 due to expected slower growth in the agricultural and transportation sectors.

Forestry

The forest products industries in Manitoba did not show any significant growth in 1975. Paper production continued at about the same rate as 1974 - approximately 300,000 to 320,000 tons per year. Lumber production was down during the first half of the year but, in recent months, activity has increased due to an improvement in market conditions in the United States. It is anticipated that this gradual improvement will continue into 1976. The outlook for paper production is less certain.

Retail Trade

Retail sales in Manitoba slowed substantially during 1975. In the first three quarters, sales were approximately \$1.5 billion, an increase of only 6.7 per cent over the 1974 figure of \$1.38 billion for the same period. In Winnipeg, the slowdown in growth was more pronounced with sales for the first three quarters of 1975 totalling \$900 million - an increase of only 4.6 per cent over the \$860 million in 1974.

DEVELOPMENT OPPORTUNITIES AND CONSTRAINTS

Development Initiatives

In the north, the pursuit of development priorities has resulted in major activities based on hydroelectric energy, transportation and the provision of government services. During 1974, the Manitoba government changed the exploration and development regulations to allow the province the option of retaining an equity position in the provincial mining industry.

Hydroelectric developments are now underway along the Churchill and Nelson Rivers. Two generating plants are in operation at Kelsey and Kettle Rapids. Nine more generating stations are proposed for this river system before the year 2000.

Transportation facilities have been improved with the upgrading of highway 391 from Thompson to Lynn Lake as well as a number of other roads and airstrips. Construction is underway on the first forty miles of a road from Thompson to Gillam, and planning and design work are in progress to expand the road network.

The special problems and potentials of northern Manitoba were recognized by the Manitoba Northern Affairs Act in 1974. This Act provided for the establishment of the Department of Northern Affairs with the responsibility for planning and coordinating all services and implementing them in the northern region. During 1975, the department continued to develop a number of programs concerned with community infrastructure, social programming and employment services. The expansion of educational extension work in the north has also been accelerated.

In rural Manitoba, the major thrust of government programs in support of the "stay option" has been directed toward income improvement, land stabilization, and community improvement. Income enhancement is being pursued through a variety of programs intended to increase farm diversification through increased livestock production. The most recent initiative in this area has been the introduction of a beef production support program designed to increase farm incomes and ensure an adequate expansion in beef production over

the next five years. Complementary federal-provincial programs to provide farm services are underway. Land stabilization programs geared to increasing the effectiveness of land use and to implementing soil and water conservation measures have been initiated. Public information and counselling services provide support to both these thrusts.

Urban initiatives in Manitoba have been mainly concerned with the provision of more equitable distribution of development benefits and the "stay option". In general, this implies the decentralization of both new industrial development and provincial government activity and the provision of public goods and services and other amenities to major rural centres. The development of a firm public policy is complicated by competing needs and roles of the larger and smaller rural centres. New industrial development that requires economies of scale and large infrastructure support will continue to be encouraged to locate in the Winnipeg area.

The Winnipeg area is moving forward through a series of initiatives relating to industrial development, urban planning and the provision and expansion of municipal services and other amenities.

A federal-provincial-municipal committee is working on plans for the Winnipeg area. Major issues emerging are the interrelation of planning and development initiatives to revitalize Winnipeg's downtown area, such as the recently completed Winnipeg Convention Centre, the proposed Trizec office and service complex, and longer-term transportation developments. Proposals for new commercial-residential developments for the CN East Yards have been suggested by CN and the Great West Life Assurance Company. A two-year study is currently underway to evaluate the development needs of Winnipeg International Airport.

Native Participation

Approximately 40,000 Treaty Indians and at least as many non-status Indians and Métis live in Manitoba. About half of this total live in the north, one-sixth in the agricultural fringe, and about one-third in Winnipeg.

Social and economic characteristics of the Native population reflect standards of living far below the Manitoba norm. In particular, indices of unemployment, income and labour force participation all suggest the exclusion of Native peoples from the full benefits of the modern economy. Similarly, high birth and death rates, low education levels, inadequate housing, and for some, physical isolation, are factors that limit participation of Native groups in Manitoban society.

Other Opportunities and Constraints

In the northern areas, future development opportunities have been identified in mining, tourism and recreation, and to a lesser extent in fishing, trapping and forestry. Efforts are being made to identify viable base metal deposits in the northeastern sector of the province. New discoveries may, in turn, provide the incremental production necessary to expand copper smelting capacity in Manitoba.

Recreational opportunities in northern areas remain largely unexploited. Proposals to establish a national park along the upper reaches of the Boreas River are being discussed and there are plans for a new provincial park in the Hughes Lake area. In addition, long-range resource planners with the province have designated the Hayes River system as an environmental and recreational preserve.

Housing and the related questions of land assembly and servicing are central to developments in Manitoba. Housing is a prerequisite to both maintaining the existing labour supply and securing additional labour resources to satisfy the rising demand for labour.

Housing construction continued at a slow pace in Manitoba during 1975. Federal and provincial activity did not appear to have influenced this short-term trend. In the longer-run, there is a need to develop plans and programs for land assembly and servicing. The nature and location of these programs could have substantial effects on future development patterns.

SASKATCHEWAN

SUMMARY AND PROSPECTS

The Saskatchewan economy was buoyant in 1974 and 1975, in marked contrast to the previous five years. Record farm incomes provided the basis for substantially higher levels of economic activity in the province. Since the agricultural sector normally accounts for between 40 and 50 per cent of the value of all commodity production, income fluctuates directly with farm cash receipts.

Eleven thousand new jobs were created in Saskatchewan during 1975 and the rate of unemployment remained low at 2.9 per cent. The largest expansions in employment occurred in community business and personal services followed by construction. Agriculture maintained its position as one of the two largest employers in the province. Employment expansion in the remaining industries was either moderate or non-existent. In response to the improved overall income and employment situation, the out-migration and population decline experienced since 1968 stopped, and the province in 1975 showed a net population gain.

The gains in real output experienced by the Saskatchewan economy in 1975 may not be repeated in 1976. Relatively stable grain prices in the face of continuing rises in farm costs are acting as a major damper on the rate of increase in economic activity. As a result of these factors, employment expansion during 1976 may be slower, with marginal increases in unemployment and out-migration. Population is expected also to increase more slowly during 1976.

Saskatchewan continues to face significant constraints in the development of its economy. Inherent barriers include a heavy dependence upon capital-intensive resource activities, lack of access to a large consumer market, and wide variations in economic activity which provide an unfavourable investment climate. Institutional barriers such as freight rate structures and the limited and variable nature of the province's fiscal base provide additional constraints.

ECONOMIC CIRCUMSTANCES

Demographic Trends

The Saskatchewan population has tended to migrate to urban areas outside the province. Out-migration has kept population growth in Saskatchewan below the natural rate of increase since about 1911. In the late 1960s, an economic slowdown brought on by depressed international grain markets and the end of the "potash boom", sufficiently stimulated the traditional flow of out-migration to cause a net population loss. From a peak population of 960,000 in 1968, Saskatchewan's population declined steadily to 907,000 in 1974. In 1974, the buoyant economic climate reduced the level of out-migration and the population rose to 925,000 by June, 1975.

The migration is mainly from the prime working-age groups - 20 to 65 years - which hinders labour force growth and lowers the rate of natural population increase. As a result, dependency ratios are higher than the all-provinces average.

Fifty-five per cent of Saskatchewan residents live in urban communities, compared with 43 per cent in 1961; this is well below the Canadian average of over 70 per cent. More than 15 per cent of Canada's status Indians and approximately 4 per cent of the total national population live in Saskatchewan. Status and non-status Indians as well as Métis characteristically suffer from a high degree of social and economic disadvantage. Currently accounting for 8-10 per cent of the province's population, these Native groups will form a growing proportion of the population.

Employment Trends

In 1975, Saskatchewan's labour force was estimated at 375,000. Growth in the labour force has been retarded by low participation rates, particularly on the part of women, rural residents and citizens of Native ancestry. Improvements in these rates have been discouraged by the relatively low levels of job creation. Employment growth, in turn, has been slowed by the high rate of capitalization in resource industries - particularly agriculture - and the slow rate of industrial diversification.

Unemployment rates in Saskatchewan have traditionally been low, despite the slow long-term employment growth. In fact, during periods of economic slowdown, Saskatchewan tends to export part of its labour force to neighbouring provinces which are experiencing higher growth rates and higher average wages. During periods of more rapid growth in the provincial economy, such as the current period, these low levels of unemployment have represented a constraint to development.

Wage Levels and Cost-of-Living

Average wages in Saskatchewan tend to be considerably below national levels. In 1975 the September average weekly salary per employed person in the province was estimated to be \$190.75, while for Canada, it was \$207.94.

Between December 1974 and December 1975, the Consumer Price Index for Regina rose 9.9 per cent. Saskatoon recorded a 10.6 per cent rise compared to the national increase of 9.5 per cent during the same 12 month period.

Industrial Performance

Agriculture

The agriculture industry generates approximately 25 per cent of the value of goods and services produced in the province and employs close to 25 per cent of the labour force.

Total farm cash receipts during 1974 surpassed \$2 billion for the first time in Saskatchewan's history, registering a 40 per cent increase over 1973. Receipts from grain sales were the major component of the increase, reflecting high grain prices in the international market. For 1975, total farm cash receipts are estimated at \$2.4 billion.

Cash receipts from the sale of livestock declined by 10 per cent in 1974 and have declined by an additional 6 per cent in 1975 as prices continued their downward trend. However, recent heavy marketings could lead to a

decline in the herd size, with a resultant increase in prices for 1976. There is presently a shortage of hogs and the prevailing high prices will probably be maintained throughout 1976.

The farm economy in Saskatchewan will almost certainly remain buoyant in 1976, although rising costs will continue to be a problem to farmers. Total cash receipts in 1976 are expected to be about the same as 1975, despite some uncertainty about grain prices, especially for oil seeds and coarse grains.

Mining

The mining industry is the province's second largest revenue generator in the goods-producing sector. Because of the capital-intensive nature of mining, it employs only 2 to 3 per cent of the province's labour force. During 1974, the value of mineral production in the province expanded significantly and further moderate expansion occurred in 1975. Total exploration, however, appears to be declining, reflecting current uncertainties in the industry about taxation policies and the provincial stand on resource ownership.

The potash industry experienced a short-lived advance in production, which reached 80 per cent of rated capacity in 1974. More recently, production has been reduced to about 70 per cent of rated capacity, and considerable quantities are being stockpiled. At present, extensive exploration in other parts of the world (North Dakota, Montana, New Brunswick and Brazil) is being carried out. The short-term and long-term outlook for this sector will largely depend on future marketing arrangements entered into by the U.S. and the Soviet Union (the USSR has the largest known potash reserves in the world). The potash industry also has been the subject of recent legislation, which empowers the Saskatchewan government to take over some or all of the potash mines in the province.

In response to strong international demand, three major uranium developments moved forward in the north of the province. These were: the \$50 million Gulf Minerals Mine at Wollaston Lake; the \$50 million French-owned Amok complex

at Cluff Lake; and the tripling of the capacity of Eldorado Nuclear Mine at Uranium City. These projects were scheduled to reach full production in 1976, 1977 and 1978, respectively. However, development of these projects has been suspended or reduced, mainly due to pending provincial tax legislation. In addition, Eldorado's exploration budget was significantly reduced as a result of recent federal spending cuts.

The province's oil and gas industry experienced declines in both output and employment during 1974 and 1975, as rapidly increasing resource taxation, higher relative costs for the production and refining of Saskatchewan crudes, and marketing problems in the U.S.A. discouraged exploration and production activity in the province. The provincial government is attempting to improve the situation through the activities of its Crown agency - Saskatchewan Oil Corporation.

Coal production in 1975 matched the higher than usual levels of 1974, chiefly in response to the demands of thermal power generation in the province. A new thermal-powered electrical generating plant at Coronach will stimulate a significant increase in coal production by 1977-78.

Forestry

The forest industry employs only 1 to 2 per cent of Saskatchewan's labour force. Nevertheless, it has been identified as a critical source of employment for the population of select northern communities. There is a possibility of major expansions, doubling output over the next decade, through joint federal-provincial development initiatives. Government policy will emphasize the employment of indigenous workers and the maintenance of labour-intensive methods in remote northern areas.

Manufacturing

The manufacturing industry contributes approximately 7 per cent of the total provincial product and employs approximately 7 per cent of the labour force.

Manufacturing activity in Saskatchewan is largely dependent on a limited provincial market. Despite this constraint, manufacturing shipments in 1974 surpassed the \$1 billion mark for the first time in history, in part because of strong local consumer demand and the influence of inflation. Moderate employment growth occurred in manufacturing during 1974 and continued through 1975, with a concentration of activity in the food and beverage, wood products, and metal-related sectors.

Food and beverage production accounted for approximately 40 per cent of total manufacturing employment and 35 per cent of the total value-added from manufacturing. This industry produces primarily for local consumer markets, although significant growth has recently occurred in such export-oriented activities as oil seed crushing and processing.

The processing of forest products, primarily lumber, the second largest component of the manufacturing industry, produces approximately 10 per cent of the value-added. Production dropped marginally during 1974 and 1975 as international market conditions deteriorated. Saskatchewan's stand of commercial timber is small in comparison with those of other provinces producing forest products. Nevertheless, it is capable of sustaining expansion in the processing of lumber, veneer and pulp. Publicly-sponsored development initiatives in the forest industry will continue to concentrate on relatively small operations in a limited number of northern communities, as well as the larger commercially viable projects.

The industrial sectors of primary metal production, metal fabricating, and machinery manufacture together account for between 10 and 12 per cent of the value-added in the manufacturing industry. These industrial sectors have experienced substantial growth over the past 10 years, and are identified as an important source of further industrial diversification in Saskatchewan. Printing and publishing, petroleum and coal processing, and non-metallic mineral processing operations are the most significant of the remaining manufacturing sectors.

Construction

The construction industry produces about 7 per cent of the value-added from goods and services in the province and employs approximately 5 per cent of the provincial labour force. During 1974, a general strike among construction tradesmen interrupted what would have been a very active construction year. Even so, by year end, capital construction expenditures at \$0.9 billion were 31 per cent higher than the level of 1973. In 1975, they rose a further 22 per cent to \$1.1 billion.

New housing starts in Saskatchewan increased by 20 per cent in 1974 and a further 36.7 per cent in 1975, reaching 10,505 units. Capital construction activity also increased in the institutional and commercial sectors, as the capital stock of the province was expanded to meet the demands of an economy bolstered by strong world markets. The construction industry, however, is expected to level off in 1976. Residential starts may achieve the level of 1975 given a strong market demand, the existence of federal and provincial public housing programs, and an anticipated moderation of mortgage costs. Institutional construction is expected to experience further moderate expansion as a result of government infrastructure programs in rural and remote areas.

Labour supply is becoming a major constraint to the capacity of the construction industry. Saskatchewan's traditional loss of skilled tradesmen to higher-wage provinces accelerated during the prolonged strike of 1974. As a result, the present shortage of skilled construction labour in the province poses a potential bottleneck for the development of major industrial projects, and adds to the difficulties experienced with constructing projects in remote and rural areas.

Grain Handling

Recent decisions regarding the future of the province's grain handling system seem to suggest that a fairly rapid rationalization of facilities is underway. The Saskatchewan Pool has announced plans to build a system of 350-450 high throughput elevators, with storage capacities each of approximately 150,000 bushels. A one million bushel capacity inland grain terminal is under construction at

Weyburn, and in Rosetown the Cargill Grain Company has nearly completed a 600,000 bushel high-throughput facility.

Services

The service sector experienced moderate growth in total activity during 1975, and continued to assume an increasing importance in the economy. The most significant service industries are community/business/personal service and trade, which employed approximately 25 per cent and 17 per cent, respectively, of Saskatchewan's labour force.

The community/business/personal service industry now employs more people than agriculture. Education, health and welfare represent the largest components of the industry and they have been undergoing continuous expansion during recent years. The remaining components - particularly personal services, recreation and accommodation, and food services - are believed to have the greatest potential for relative employment growth over the next two years.

The entire service sector in Saskatchewan is currently experiencing structural adjustment, as its traditional highly-decentralized distribution system adjusts to both greater urbanization and the more centralized shopping patterns of the remaining rural residents. The tendency toward centralization of distribution and service activities is a major concern of the provincial government.

In the utilities sector, the electrical power-generating capacity of the province is receiving particular attention. The Saskatchewan government is adding to its existing generating capacity by constructing a new thermal-generating station at Coronach, and expanding the existing Boundary Dam thermal plant near Estevan. It is anticipated that these projects will be completed in 1977 and 1978, respectively. The energy generated is expected to be used primarily in Saskatchewan.

Public Finance

The 1975-76 Saskatchewan budget surpassed \$1 billion. After income and indirect taxes, transfer payments from the federal government form the second largest source

of revenue to the province. Historically, financial transfers from the federal government have been an important factor in the provincial government's budget capability. Budget expenditures have concentrated on the following sectors: health - 28 per cent; education - 25 per cent; transportation and communication - 12 per cent; and social welfare - 10 per cent. Expanded programs involving rapidly escalating costs in all these activities have depended on financial transfers available from programs such as equalization payments, the Canada Assistance Plan, and the Medical Care Plan.

DEVELOPMENT OPPORTUNITIES AND CONSTRAINTS

Resource Upgrading

Further processing of Saskatchewan's agricultural, mineral, and timber resources has major development potential in spite of the problems of high distribution costs to distant markets. Opportunities also exist for the manufacturing of secondary-industry products. In agriculture, for example, opportunities exist for the manufacture of fertilizers and herbicides. Pastas and alfalfa cubes are examples of finished products that could be manufactured in the province.

In the longer term, opportunities may exist for addition of livestock processing if Saskatchewan livestock production can be increased and stabilized. The traditional pattern of agricultural production in Saskatchewan is not encouraging as high grain prices have historically drawn Saskatchewan producers away from livestock production. Currently high grain prices are reinforcing this pattern.

Saskatchewan's mineral and oil products have a more limited potential for further processing. Petroleum products are processed within Saskatchewan although it is questionable whether the provincial level of production could support additional refining capacity on an efficient scale. Again, Saskatchewan's potash requires little refining beyond mine-head crushing.

The future for uranium refining is more promising. Uranium from the province's north has traditionally been refined in Port Hope, Ontario. Current capacity utilization of Port Hope facilities and the potential for expansion of uranium production in Saskatchewan could make it feasible to develop a refinery in the province. A uranium refinery could provide the province with significant additional opportunities for the production of chemicals. The prospects for this industrial opportunity appear to hinge on reactions to provincial resource taxation policy.

The province has introduced a forest utilization policy which emphasizes the complete and efficient use of all species of woods for sawn timber, pulp, and finished products. Particular priority has been placed on the development of relatively small-scale operations which can use the local labour force in remote forested areas. Increased harvesting of currently underutilized species, such as poplar, provides the basis for part of this expansion.

Other Development Opportunities

Over the years, Saskatchewan has developed an expertise in the manufacture of steel and heavy-duty machinery, particularly agricultural machinery. Further opportunities have been identified for the manufacture of cold-rolled bar and plate steel, sheet metal products, wire and wire products, heating equipment, as well as machine shops.

It would appear that opportunities still exist for expansion in Saskatchewan's short-line agricultural equipment industry, despite a highly competitive environment. All of the companies in this provincial industry are small-scale and may require assistance to undertake appropriate research and development activity, to diversify their product lines and to develop greater market penetration. Participation in international markets would relieve this industry from its present reliance on the strength of the prairie grain economy.

Advantages also exist for provincial production of high-value and low-volume goods whose transportation costs to distant markets form a small proportion of their delivered price. Industrial activities associated with these characteristics include the manufacture of garments, high-technology electrical components, and plastic products.

Industries based on local research and development have additional opportunities. A science park in Saskatoon, associated with the University of Saskatchewan, is under consideration. This institute would research industrial micro-biology to develop products and processes related to animal health, pharmaceuticals, productive uses of organic waste, and alternative uses of agricultural and forestry by-products.

Historically, Saskatchewan has been unable to capitalize on its central location in western Canada to become a hub for the distribution of services. Anticipated rationalization in the Canadian transportation system may improve the prospects for provincial warehousing. The commitment of the federal government to the decentralization of its administration may also lead to additional employment opportunities. Both of these developments can be expected to particularly assist the urban centres of Regina and Saskatoon.

Development Constraints

Saskatchewan's economy has a number of structural characteristics that affect the province's development prospects. These include a heavy dependence upon capital-intensive resource activities with unstable markets; slow rates of growth in job creation; below national average levels of personal income; loss of population from rural areas; and a weak fiscal base. Most importantly, wide fluctuations in economic activity have provided the province with an uncertain investment climate.

Saskatchewan's manufacturing and service industries lack access to any large markets. The local market is small and distant markets are made less accessible by current freight rate structures. Saskatchewan industries tend to be small-scale and inadequately organized to achieve greater market penetration.

In Saskatchewan, both financial institutions and incentives to induce reinvestment of moneys generated within the province are relatively few. Research and development activities initiated to support industrial expansion are generally inadequate. Shortages of skilled entrepreneurs and tradesmen frustrate the development of industries which could provide a more diverse economic base.

Most of the above constraints to development have been characteristic of Saskatchewan since its incorporation as a province shortly after the turn of the century. They are likely to be overcome only by specific efforts on the part of both provincial and federal governments.

ALBERTA

SUMMARY AND PROSPECTS

The Alberta economy remained strong throughout most of 1975, with demand for its energy and agricultural products remaining high. In spite of international economic problems, all sectors, except lumber and beef, performed well. Despite this year's buoyant economy, the province is concerned about the magnitude of its recent budgetary increases, which, if continued, could lead to a deficit by 1978. As a result, the government has restricted spending on health, education and municipal grants.

The province believes its future prosperity is dependent on increased resource upgrading and geographic dispersion of economic activity. Alberta feels that it must diversify before its conventional oil reserves are depleted. The province desires to maintain control over its resources and resource revenues and intends to resolve the technological difficulties associated with recovery of oil in the tar sands to provide an additional source of energy and petrochemical feedstocks. Recent steps toward diversification have highlighted a skilled labour shortage and have cast renewed interest on transportation and environmental problems.

In 1975, Alberta became a potential world-scale producer of petrochemicals with the approval of the Alberta Gas Ethylene plant near Red Deer. The expected output of this plant has stimulated investment proposals from secondary petrochemical producers who plan to use the ethylene as a feedstock.

Industrial prospects are good for petroleum refining, coal and nutritive processing activities. But the realization of these development opportunities depends on enlargement of the province's skilled labour pool and the enhancement of physical and social amenities in rural communities.

ECONOMIC CIRCUMSTANCES

Demographic Trends

In recent years, Alberta has been experiencing high rates of population growth. From July 1974 to July 1975, Alberta's population grew by 3.2 per cent (compared with 1.6 per cent nationally) to an estimated 1.77 million. This rapid population growth coincided with an increasing concentration of Alberta's population in the Edmonton and Calgary areas. The effect has been a rapid population increase for metropolitan areas, slow growth for most other towns and a general decline in rural areas.

The 1973 Native population of Alberta was estimated at 65,000. Approximately 50 per cent (31,362) were status Indians and the remainder were Métis or non-status Indians. Although demographic information on the latter two groups is imperfect, it is generally accepted that their numbers and demographic characteristics are similar to those of status Indians.

Labour

In 1974, the labour force grew by 32,000 to 750,000. Employment increased by 42,000 resulting in shortages of qualified workers throughout the economy. However, a reversal occurred in 1975 when the labour force outgrew employment by 8,000. The job vacancy rate declined substantially in 1975 when on average, 15 jobs per thousand were unfilled compared to the 1974 rate of about 23 per thousand. Alberta's labour force participation rate, characteristically the highest in the nation, advanced marginally in 1975 to 61.7 per cent. Potential developments in the oil sands and petrochemical industry, however, could once again lead to acute shortages of skilled labour.

Income

Per capital personal incomes rose 15.5 per cent in 1974. On the other hand, the distribution of income continued to be highly skewed. Rural and northern families have much lower average incomes than their urban counterparts. For example, families living in the area extending from

Peace River to Cold Lake and from Lac-la-Biche to Drumheller had a mean family income below \$5,740 in 1970, in contrast to a provincial average of \$9,475 and a national average of \$9,600.

Industrial Performance

Agriculture

Crops accounted for 51 per cent of total farm cash receipts in 1974, the first time since 1964 that they exceeded livestock's contribution to gross farm income. Livestock producers, particularly cow-calf operators, received low prices while crop prices continued at high levels. Total net farm incomes rose by an estimated 3.5 per cent to \$831 million. Preliminary estimates for 1976 suggest that substantial declines in farm incomes may occur in response to higher farm costs.

The agricultural processing industry contributes approximately 25 per cent of the value-added in all manufacturing activity. Most agricultural processing involves dairy and meat products while much of the grain and other crops leave the province unprocessed. Geographically, 85 per cent of all food and beverage processing in the province is done in the Calgary, Edmonton, and Lethbridge areas.

Forestry

More than three-quarters of Alberta is covered by forests, primarily in the north and the foothills. Only a small portion of this resource is being exploited (approximately 15 per cent of the annual allowable cut is harvested). The forest industry generates about 10 per cent of manufacturing value-added and 14 per cent of manufacturing employment. The current recession has lowered the demand for pulp and paper and lumber products. With economic recovery underway, these industries should perform better in 1976 than they did last year.

Coal

Alberta's coal industry is the province's third largest extractive industry. Thermal and metallurgical coals share, about equally, the total tonnage produced. Alberta's coal should continue to increase in importance

because it is favoured for thermal generation due to its low sulphur content. Alberta has 52 per cent of Canada's thermal coal reserves and 32 per cent of the nation's metallurgical coal reserves.

Oil and Gas

While the production of crude oil and equivalents declined 5 per cent to 1.6 million barrels per day in 1974, value of sales was up 57 per cent. The "life index" of conventional crude oil has been on the decline since 1969 and in 1974 stood at 13 years. The main reasons were the steadily rising rate of production from 202.5 million barrels in 1966 to 494.4 million barrels in 1974, coupled with a drastic decline in additions to reserves from 886 million barrels in 1966 to 225 million barrels in 1974.

In 1974 the Alberta Bureau of Statistics reported that natural gas production was up 4 per cent over the previous year to 5.7 billion cubic feet per day, with revenues up 40 per cent to nearly \$518 million. The Energy Resources Conservation Board stated that at current rates of production, proven existing gas reserves can meet demand for about 26 years. Prospects for additional finds are much greater than for oil.

Capital Investment

A provincial government investment survey in mid-1975 indicated that for the short term, some \$3.1 billion of capital expenditures are underway, and \$10.4 billion planned for the near future. Of this total investment, the petroleum and petrochemical sector accounts for \$10.1 billion, of which \$8.4 billion is directed towards oil sands projects near Fort McMurray.

Services

Service industries are Alberta's largest employers. They provided jobs for 64.6 per cent of the employed labour force in 1973 and 64.9 per cent in 1974. If the labour force in construction is included, the figure jumps to 72.8 per cent for the latter year. Service industries also dominated the provincial value-added, contributing over half of the provincial total in 1974. If construction is again included, the figure rises to nearly 65 per cent.

DEVELOPMENT OPPORTUNITIES AND CONSTRAINTS

Agriculture

Agriculture is currently the mainstay of rural Alberta and provides raw materials for the agricultural processing industry concentrated in Edmonton and Calgary. Opportunities exist for developing major agricultural processing industries in smaller centres, in line with development priorities regarding further in-province resource processing and geographic dispersion of economic activity. Increased agricultural production may also be realized, by expanding and diversifying farming in southern Alberta and increasing production on the alkaline soils in the province's east-central area.

Constraints on the expansion of primary agricultural production include the availability of farm labour, high input costs, and the problems involved in the acceptance of new technology. The removal of prime agricultural land for urban, industrial, and other uses is increasingly a constraint in some areas of the province.

Forestry

Due to the current recession, both lumber and pulp markets are depressed. Consequently, these industries are not likely to engage in large-scale investments until their markets recover to pre-recession levels. When the recession abates, it is probable that they will move further to integrate their operations and to establish large new grass roots facilities, such as a hardwood-processing complex.

Over the long term, hardwood timber resources will provide the province with a major economic development opportunity. Approximately 48 per cent of the timber on Crown lands is hardwood, and the northern two-thirds of Alberta and the Rocky Mountain foothills are extensively covered by forests. Timber is normally processed in the areas where it is grown, and this circumstance provides an opportunity to diversify the economy of north-central Alberta.

The forest industry, as well as providing a major opportunity for economic diversification, will contribute to increased permanent employment in northern Alberta. This industry is also an employer of Native people, for whom job opportunities in the forest industry can be an important option.

Native Development Initiatives

Native people in Alberta have identified two principal economic development thrusts. The first involves Native-owned and operated economic undertakings and the development of Native entrepreneurial skills. The second entails the encouragement of the Native labour force to the point where it is able to participate successfully in the economy of the province. Evidence of the importance of these thrusts to the Native people of Alberta is the fact that they are the core objectives of the recently established Alberta Native Development Corporation, whose Board of Directors consists of three Métis and three registered Indians.

The greatest progress in the last several years has been the rapid growth of organizational capability among the Native people. Increasing these capabilities offers an opportunity for guaranteeing the involvement and participation of the Native people in their future development.

Petrochemical Industry

The relative abundance of natural gas, conventional crude oil, and synthetic oil has attracted, and will likely continue to attract, world-scale petrochemical plants to Alberta. The province sees these plants as the first stage in an integrated petrochemical industry. It intends to encourage the location of secondary petrochemical processors, who use these first-stage derivatives for the manufacture of plastics and other products.

Alberta Gas Ethylene has received a conditional go-ahead to build an ethylene plant near Red Deer which will produce 1.2 billion pounds of polymer-grade ethylene annually. Once in production, the majority of its output will be used to produce secondary petrochemical products within Alberta, which could include the manufacture of vinyl chlorides, styrene, and ethylene oxide.

Coal

Coal mines shipping to export markets improved their financial position in 1975 as a result of higher prices and more shipments. The provincial government has announced that it will be presenting its coal development policy to the next session of the legislature. This policy statement is expected to cover questions of government royalties, environmental protection, and maintenance of quality coal reserves for the future.

If coal developments are approved, thermal coal should begin to flow through Thunder Bay to southern Ontario from the Coal Valley Project 40 miles southwest of Edson. Also, Calgary Power proposed a power plant at Dodds, which will use prairie coal from the Round Hill area. When in full production, the Round Hill development will nearly double the current production of coal in Alberta.

Manpower Constraints

Economic development will place significant demands upon the human resources of the province and western Canada in general. Alberta's skilled labour pool is too small to accommodate the demands of current and anticipated economic development. Since natural increases and existing levels of inter-provincial migration are not large enough to overcome this deficit, immigration and increased labour force participation will be relied upon to fill the gap. While immigration is expected to provide the bulk of new entrants to the labour force, increased participation rates are another possible source. The greatest opportunity for increased participation lies with Native people and females.

Industrial diversification will increase the number of jobs and the opportunities for vertical mobility in the labour force. New skills will be required. The skilled labour shortage, especially in construction, and the desire to have the current labour force participate in upward mobility will place demands on those responsible for training. High wages in the petrochemical industry

are presently contributing to rising labour costs in all industrial sectors and causing rapid labour turnover as workers gravitate to petrochemical firms.

BRITISH COLUMBIA

SUMMARY AND PROSPECTS

Although British Columbia is the third largest and one of the most rapidly growing provinces of Canada, it experienced some sharp setbacks during 1975. Gross provincial product, which increased about 5 per cent in real terms in 1974, will probably have showed no movement at all in 1975.

Historically, the province has been a resource-based export-oriented economy. Although the manufacturing sector has developed somewhat in recent years, much of the growth has been related to the resource-based industries. Currently, forestry contributes 44 per cent to the total value-added by all primary and manufacturing industries in the province, and mining and primary metal processing account for another 11 per cent. These two sectors dominate the economic activity of the province and, since more than 75 per cent of the output is exported, they are very vulnerable to world markets. The economic slowdown in the western world has hit the lumber and metallic minerals industries of British Columbia particularly hard. The unemployment rate in British Columbia during 1975 was more than 8 per cent - well in excess of the national rate.

Presently, the economy of British Columbia is in a period of rapid and at times difficult adjustment. While an improved performance of the Canadian economy is expected in 1976, recovery in British Columbia may lag behind the national performance. The province's historical dependence on its natural resource base is a matter of record and, with the serious problems still being experienced by resource-based industries, there is reason for concern about the state of the provincial economy through 1976. Most of the province's prospects in the short-term depend on a rapid expansion of U.S. and other foreign markets.

There are a variety of transportation developments that have important implications for northern development, commodity movements through the Rockies, and provincial competition with United States west coast carriers and ports. Other concerns in British Columbia include unsettled Native land claims, environmental concerns and labour force stability in resource-producing areas.

The province is concerned that its industrial base is too dependent upon resource extraction, with too little value-added before export. In addition, there is a need to stimulate economic activity outside of Vancouver and Victoria as a partial remedy for population pressures in the lower mainland.

ECONOMIC CIRCUMSTANCES

Demographic Trends

It is estimated that the population of the province totalled 2.5 million by the end of 1975, an increase of 50,000 residents or 2.1 per cent over 1974. This was the lowest percentage gain since 1962, and the smallest absolute increase during the past decade. The population of British Columbia continues to concentrate in the lower mainland and southern Vancouver Island, where over 61 per cent of the inhabitants of the province reside. Some interior cities (Prince George, Kamloops, Kelowna), however, exhibited strong growth in response to continuing economic development. A relative lack of employment opportunities due to the current slowdown in the economy contributed to the reduced rate of in-migration in 1975.

Employment Trends

Employment data for 1975 reflected the effect of work stoppages (in the forest and other industries), depressed economic conditions and, to a lesser degree, a seasonal downturn in activity. The average unemployment rate during 1975 was 8.3 per cent. However, the seasonally-adjusted rate has been declining in the last few months and in December it stood at 7.5 per cent.

Wage Levels and Collective Agreements

Average weekly earnings in the province rose from \$210 in September 1974 to \$234 in September 1975 - an increase of 11.5 per cent. During the same period, the Consumer Price Index in Vancouver increased by 10.0 per cent compared to a national increase of 10.4 per cent. Inflation, therefore, negated a considerable portion of the increase in earnings.

There will be several important collective agreements up for renewal in 1976. It has been estimated that 424 contracts will be negotiated, affecting some 148,000 workers. This is 86,000 fewer workers than were involved in 1975. The trade and service industries will be the principal sector affected.

Industrial Performance

To date, estimates of real gross provincial product are not available for 1975. However, all indicators suggest a

limited increase and perhaps even a decrease. The figures below focus on the first eight or nine months of 1975, the period of the year for which data are available.

In current dollars, the total value of shipments through August of 1975 was up slightly over the comparable period in 1974 (2.1 per cent). In real terms, this represented something of a decline over the earlier period.

For the second consecutive year, lumber production was down during the first eight months. The following table indicates the deteriorating position by comparing data for the first eight months of 1975 with the same period of 1974 and 1973.

January-August	Timber Scaled million cu.ft.	Lumber Sawn million f.b.m.	Plywood Production million sq.ft.
1973	1,561	7,173	1,490
1974	1,303	6,400	1,335
1975	1,166	5,067	1,219

The following table, based on comparisons for the same periods of time, demonstrates the accompanying decline in the pulp and paper industry. It should be noted that between 1974 and 1975 production fell off by more than 25 per cent.

January-September	All Paper Production '000 tons	All Pulp Production '000 tons
1973	1,660	4,216
1974	1,592	4,352
1975	1,151	3,204

Reductions in the output of the forestry sector were the result of a depression in international and domestic markets compounded by serious labour-management difficulties in the industries concerned.

The only sector to show an impressive increase was coal, with production up 31 per cent for the first eleven

months of 1975 over the comparable period of 1974. Production during that eleven month period in 1975 was 9.7 million tons, and the dollar value of exports almost doubled in response to substantial increases in both the price and quantities shipped.

Mineral output was down during the first three quarters of 1975 over the same period in 1974, continuing a trend that began in 1974. Decreases ranged from a 3.6 per cent decline in zinc shipments to a 13.6 per cent decline in molybdenum shipments. Oil production was down 23.4 per cent.

The fishing industry continued to experience difficulty, with the value of landings declining over the year from a 1974 value of \$100.8 million to \$76.8 million in 1975. Much of the decline was caused by an industry-wide strike.

Farm cash receipts were up 7.2 per cent (to \$357.7 million) over the first eleven months of 1975. This was largely offset by the increased cost of farm inputs.

Housing

Through November 1975, housing starts in urban centres were up 5 per cent from the comparable period one year earlier. It should be noted that the trend in the last half of 1975 suggests that by the end of the calendar year housing starts will be significantly greater than in 1974.

Capital Investment

Capital investment in new facilities during 1975 was estimated at \$4.3 billion - 8 per cent above the 1974 level. However, there was no real increase after allowing for inflation and, in per capita terms, investment during 1975 was well below the 1974 level. By sectors, capital investment was proportionately lower in primary industries, manufacturing and trade, and higher in the utilities and government sectors.

DEVELOPMENT OPPORTUNITIES AND CONSTRAINTS

Northeast Coal

A major development based on the metallurgical coal deposits in northeastern British Columbia has been the subject of federal-provincial discussions. The provincial government has indicated its wish to undertake, with federal participation, a thorough review of the possibilities for such a development.

Hat Creek Coal

British Columbia Hydro is in the process of evaluating the Hat Creek thermal coal deposits located some 50 miles northwest of Kamloops near Cache Creek. The reserves may eventually amount to as much as 10 billion tons. Last fall, British Columbia Hydro indicated that a mine and an associated 2,000 megawatt thermal generating plant might be in operation by 1983 with a permanent work force of about 540. As demand increases, additional mines and generating stations could be brought on-stream.

Alumina is a potentially important by-product of the fly ash produced after combustion. A number of major aluminum producers have expressed some interest in further processing the alumina into aluminum metal. The type of plant envisaged could employ up to 2,000 people. However, development would depend upon improved technology and an adequate supply of alumina. Present indications suggest that this would only occur after three or four thermal power stations were in full operation, although the strategic advantage of having a domestic supply of alumina could influence the size and timing of aluminum production. Preliminary estimates suggest that a plant could produce up to 300,000 tons of aluminum per annum. This would represent some 25 per cent of current production capacity in Canada.

Because of the rapidly rising energy costs of oil-fired generating plants, the economics of Hat Creek coal for use in the production of heavy water for the Canadian nuclear program may warrant reinvestigation. Of course, considerable uncertainty surrounds these potential developments, but because of their sheer magnitude, they should be closely monitored.

Native Land Claims

This issue is particularly significant in British Columbia because of the large parts of the province not covered by treaties. The Native people contend that their aboriginal title has never been extinguished. Another dimension of the problem stems from the decision of a Commission of 1912-16 to remove certain lands from Indian reserves in the province. It is claimed that these "cut-offs" were effected without the involvement and consent of the Native people. The extent of these claims and the land affected by them are such that they have potential implications for virtually any development in British Columbia. This is particularly so in northwestern British Columbia, the traditional home area of the Nishga Indians, who have played a leading role in seeking a judicial settlement of their claims.

Steel

In October 1974, the British Columbia government entered into a \$1.23 million one-year agreement with Nippon Kokan Kisha of Japan to study the feasibility of an integrated steel mill (blast furnaces, oxygen furnaces, rolling and finishing facilities) in the province. The 11 possible sites have now been narrowed down to two - Kitimat and Prince George. The study is into its second phase (social, environmental and regional impact) and, according to reports, a decision whether or not to build the mill was expected by the end of 1975.

Petroleum Refining

The British Columbia Petroleum Corporation has engaged two consulting firms to conduct feasibility and marketing studies for a 1,000-plus barrel-a-day refinery - that is, a "world scale" refinery for British Columbia. Final investment could be several hundred million dollars. The corporation had purchased land in Surrey but, because of public antipathy, plans for development of the refinery have been abandoned. There now appears to be a preference for a policy that would encourage expansion of existing refineries.

Transportation

The principal transportation concerns in British Columbia seem to be those related to development of the north and the need for improvements in existing systems to keep pace with expected increases in exports. There are major changes under review for British Columbia: improvements in the rail

system, the highways, the ports, the marine coastal services, and the air services available to service the remote areas of the north.

In the north, there are developments underway or under consideration to improve the road, rail, aviation and port facilities. The British Columbia Railway (BCR) is being extended north to Dease Lake from Fort St. James, and the Canadian National will, once the Nishga land claims are settled and prices for mineral and forest products improve, extend a line from Terrace to Suskeena, to connect with the BCR line. Improvements to the Canadian National line from Edmonton to Prince Rupert are also being studied.

Complementary to this, major improvements in bulk-handling facilities and general cargo capabilities are underway or planned for the port of Prince Rupert. The planning and construction of improved port facilities at Prince Rupert are in anticipation of an increased demand for Canadian exports and a result of the severe strain now being placed on the port facilities in Vancouver.

The highways network in the north is being improved and extended. Highways 16 and 97 are being upgraded, while construction and improvements are under way on highway 37 between Stewart and Lower Post, and on the connection with highway 16 between Kitwanga and Meziadin Junction. In the future, road and rail transportation will likely be extended from Dease Lake to Atlin.

Finally, the need for air services and facilities in the north are being reviewed. There is a particular focus on airstrips to be used by third-level carriers and the financial viability of these carriers.

In the south of the province, where the main west coast access routes focus on the city of Vancouver, large-scale improvements costing millions of dollars are being considered. The rail and highway systems of the Fraser Canyon are being evaluated in anticipation of increases in demand for transportation. Both CN and CP are assessing the most economic means of increasing the capacity of the rail system. Under consideration are such measures as grade reduction; operating the two rail lines as one system; connecting with the BCR at Clinton to provide an alternate route when the Fraser Canyon

lines are blocked; replacing a rail bridge across the Fraser; and possibly upgrading the southern CP lines from the Kootenays. The BCR line from Prince George to Squamish is also in need of improvement, since the grades now restrict the flow of traffic.

There continues to be traffic congestion on the Trans-Canada Highway, especially between Golden and Revelstoke. The cost of making this section of the provincial highway system into a four-lane highway would be high, and the whole question of access to the west coast by road is being reviewed. Some of the options being considered are: upgrading highway 3 in the south; constructing a new route between Calgary and southern British Columbia; building a road between Hope and Merritt (the Coquihalla); and improvements to the Yellowhead route from Edmonton.

The port of Vancouver continues to suffer from a land-use conflict. There is congestion on both the north shore and the south shore; there are numerous grade-level crossings which inhibit the flow of traffic; and the area available for expansion of facilities is generally restricted due to the surrounding mountains. In addition, certain restrictive practices place the port in a poor competitive position with United States ports on the west coast, especially the port of Seattle. There are significant labour-management problems on the docks at Vancouver. An expansion of the airport facilities at Sea Island is being considered, but serious environmental concerns have been raised by local residents.

