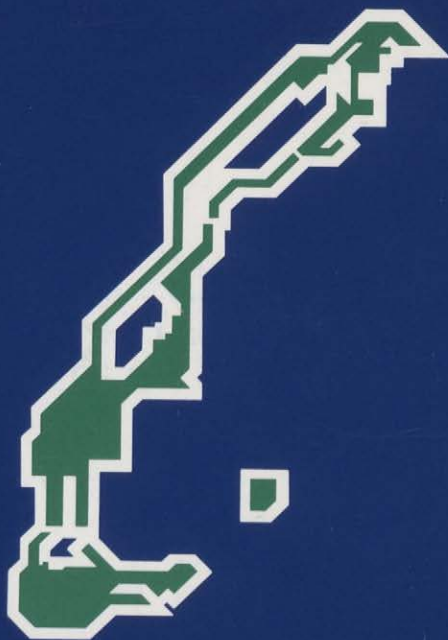


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Economic Development Program for the
Magdalen Islands



Canada 

February 1981



Economic Development Program for the Magdalen Islands



**Gouvernement
du Canada**

**Government
of Canada**

**Expansion
Économique
Régionale**

**Regional
Economic
Expansion**

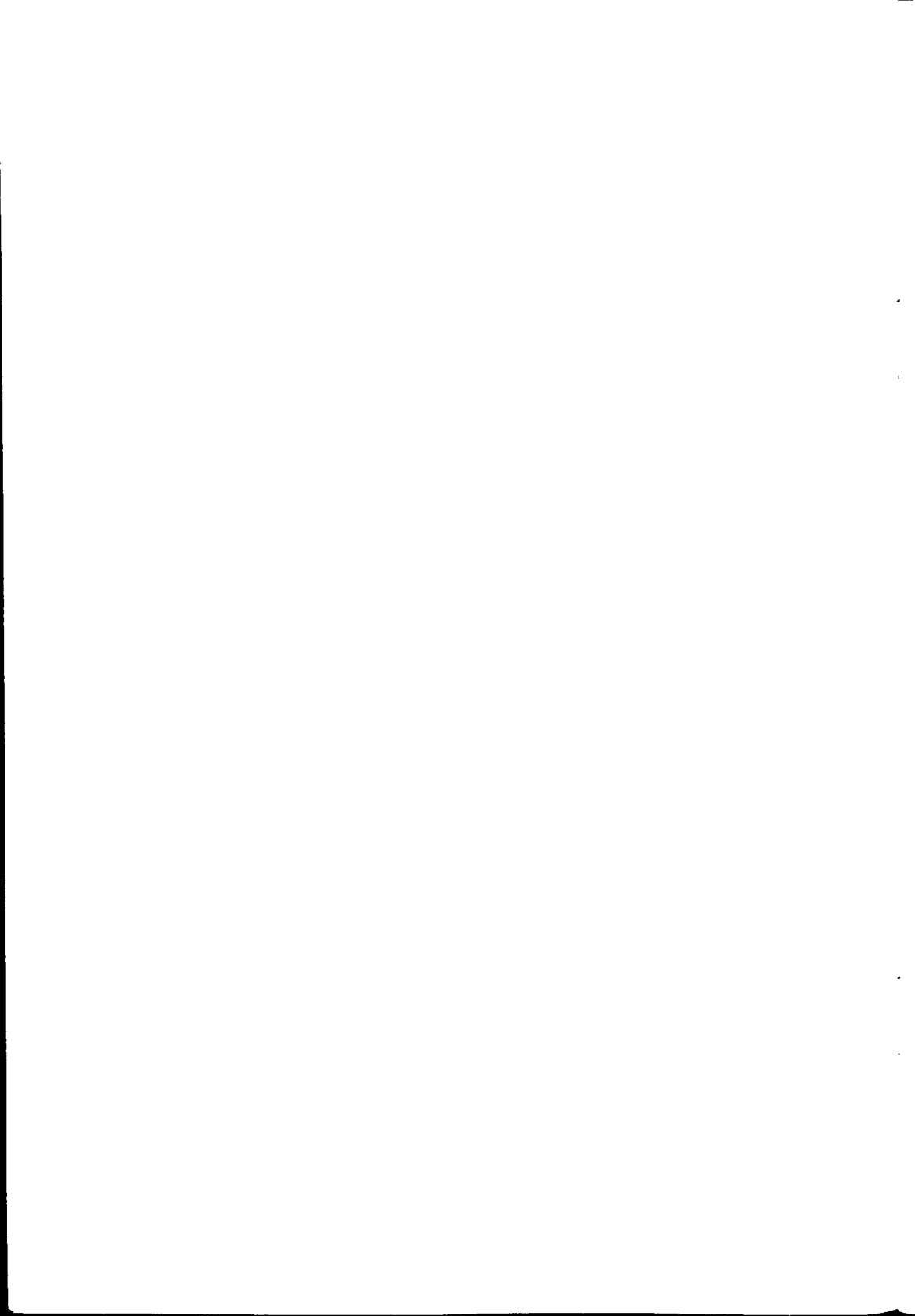


TABLE OF CONTENTS

Introduction.....	5
The planning structure of the development program.....	6
The type of intervention proposed.....	7
The Special Area Program.....	8
The Joint Program.....	11
Program Implementation.....	14
Conclusion.....	14
Summary tables.....	15



ECONOMIC DEVELOPMENT PROGRAM FOR THE
MAGDALEN ISLANDS

INTRODUCTION

In comparison with other regions in Quebec, the Magdalen Islands have not reached a level of economic development sufficient to alleviate their chronic unemployment. This slow economic growth can be attributed in part to the remoteness of the Islands and the pronounced lack of raw material. In the last few months, the Department of Regional Economic Expansion (DREE) has examined the socio-economic situation and development prospects in the Magdalen Islands.

The results of this work showed the need for the federal government to define a general intervention program to alleviate under-employment and diversify the Islands' economic base. The economy in the Magdalen Islands is based mainly on fishing and fish processing. The activity in tourism permits some slight diversification of employment and revenue during the summer months. However, the seasonal nature of these activities means that the Islands's labour market and economy are very cyclical; depending on the season, unemployment varies from 15 per cent to more than 60 per cent, resulting in very high social costs.

It is for these reasons that the Department of Regional Economic Expansion has decided to recommend an integrated approach based on intervention in several sectors and to involve other federal departments in defining the various projects included in the economic development program. The program was also drawn up in close co-operation with an Advisory Committee of representatives of the local community.

This information paper describes first how the structure for the joint planning of the intervention program was set up; this is followed by a description of the main measures the federal government intends to take in order to contribute to the economic development of the Magdalen Islands.

THE PLANNING
STRUCTURE OF THE
DEVELOPMENT
PROGRAM

On June 8 last, the Minister for Regional Economic Expansion made known his Department's firm resolve to participate in a development program for the Magdalen Islands. He extended an invitation to the Islanders to set up their own advisory committee which would be responsible primarily for defining the Islands's development needs and proposing to the Department of Regional Economic Expansion the measures most likely to meet the needs and expectations of the inhabitants.

Local participation in designing the development program crystallized around an advisory committee consisting of the mayors of the Islands' municipalities and representatives from the Chamber of Commerce. The committee's terms of reference included proposing concrete initiatives according to a given order of priority and ensuring that government funding provided under the program would not be used in place of sectoral departments' regular budgets. The committee's chairman was the MP for Bonaventure-Magdalen Islands, Mr. Rémi Bujold. Commissions for the areas in which action is proposed are part of the County Council's organizational structure and they were called upon to draw up an intervention program by sector. It was on the basis of their work that priorities were set by the Advisory Committee.

At the same time as priorities were being determined locally, the Department of Regional Economic Expansion was engaging in close consultation with the various federal departments likely to have an impact on the Magdalen Islands' economic development. Accordingly, as members of a federal interdepartmental committee, the following departments made a direct contribution to the program: Fisheries and Oceans, Transport, Environment, Agriculture, and Industry, Trade and Commerce (Canadian Government Office of Tourism and the Ministry of State for Small Businesses). Basically, this working group's mandate was to define potential action and projects for the region, comment on programs proposed by the local community, and assist the Advisory Committee in its work by providing expertise in each sector.

Thanks to the interdepartment meetings and also the working sessions the Advisory Committee had with representatives of federal departments, an intervention program was designed that reflected local aspirations and also fell within the sphere of activity of the various departments involved. This new method of co-operating at the regional level shows DREE's determination more and more to encourage active local participation in attempts to stimulate economic growth. This aim is all the more necessary in that involvement by local organizations in their own development can have a positive effect on the growth of regional entrepreneurship.

THE TYPE OF
INTERVENTION
PROPOSED

Drawn up by the local community and federal departments working in close co-operation, the development program will be carried out through a special area and the possible signing of a Canada-Quebec subsidiary agreement. The measures the federal government will take in the Islands are aimed first at creating stable jobs so as to alleviate unemployment and reduce the large number of people leaving the region. The intervention program will also help to strengthen and diversify the Islands' economic base by encouraging the development of a wider range of activities associated with the main sectors on which the economy is based. Last, the economic development program for the Magdalen Islands includes measures to improve transportation links with the mainland in order to attenuate the negative effects of geographic isolation.

The economic development plan was also designed to take into account the need for the federal government to support and encourage local entrepreneurship and meet local expectations as regards development. The extent of economic spin-off from the program will depend on the dynamism of local economic agents. The many discussions with local representatives have shown that regional organizations recognize the need for close involvement in their own economic development provided government authorities agree to act as catalysts and take the necessary financial action. The development program was drawn up in the certain

knowledge that implementation of its various projects would trigger and increase in economic activity throughout the Magdalen Islands.

Local representatives on the Advisory Committee felt that government action should be taken in the following areas: fishing, transportation, industrial development, tourism and agriculture. After examining the priorities set by the Committee, the Department of Regional Economic Expansion concluded that the development program could be implemented in two ways.

First, the federal government is willing to spend \$13.8 million on fishing (harbour infrastructure), transportation, industrial development and economic studies. Second, the program could be widened in scope if Quebec agreed to make a financial contribution. An additional \$7 million would then be allocated to joint action on fishing (land infrastructure), tourism and agriculture. The federal government would contribute \$4.2 million, or 60 per cent, of this additional amount and Quebec \$2.8 million, or 40 per cent. The annexed summary tables show the financial commitment required by the program and a breakdown of costs.

It should be noted that the projects provided for in the intervention program are in addition to the action to be taken by federal departments under their five year plans. The intervention program also excludes those projects that come under the Canada-Quebec Subsidiary Agreements currently in force.

The projects included in the economic development program, in both its unilateral and joint versions, are described in greater detail below.

THE SPECIAL
AREA PROGRAM

Fisheries--harbour
infrastructures

Fishing is of prime importance to the Gaspé, North Shore and Magdalen Islands. In the Magdalen Islands, approximately 40 per cent of the labour force is employed in this sector and, at the present time, most of the economic activity is linked, directly or indirectly, to commercial fishing.

Even though this sector is already an important one at the regional level, its development potential could be exploited even more intensively if specific action were taken to that end.

The proposed intervention program would mean that a number of steps could be taken to increase the contribution made by deep sea fishing to the Islands' economy; the main target would be harbour and land infrastructure which, in their present condition, are hampering development. The main action contemplated under the federal program is aimed at expanding port services, providing more and better infrastructure for the commercial exploitation of ocean's resources, particularly by setting up adequate facilities for boat hauling and winter lay-up and improving or enlarging wharfs and breakwaters. In that respect, most of the localities of the Islands will benefit from these actions; in the next year, construction works will be carried out in Grosse-Ile and Pointe-au-Loup and it will also be possible to undertake the construction of breakwater equipment.

Transportation

An improvement in transport services between the Magdalen Islands and the mainland is a prerequisite for greater economic development. This part of Quebec is currently served by air from the Gaspé and Prince Edward Island. Marine transport is provided by a ferry service between the Islands and Souris, in Prince Edward Island, and a regular coaster service between Cap-aux-Meules and Montreal. Because of changeable weather conditions, air service is frequently disrupted and there is a high rate of flight cancellation.

As follow-up to the Advisory Committee's recommendations on air transport, inter-departmental discussions were held with the federal Department of Transport and meetings took place with Quebecair to draw up measures that would meet local expectations and the needs of regional carriers. First, the development program will make it possible to build a new main runway, 4,500 feet long, on a new orientation. The new runway will thus make it easier for air traffic to avoid natural obstacles which are a potential cause of accidents.

In addition to providing for a new runway, funds under the development program will also be used for an aircraft refuelling station. At present, Quebecair planes serving the Magdalen Islands from Gaspé have to carry sufficient fuel for the return trip or for flying to an alternate airport in case of bad weather. This restricts the aircraft's payload, directly affecting the number of passengers and amount of cargo that can be accommodated on board. Moreover, the slightest deviation from the flight plan because of atmospheric conditions inevitably results in cancellations.

Industrial development

Small and medium-sized businesses account for a large part of the manufacturing industry in the Magdalen Islands, as they do in other outlying regions. Because of their special economic situation, the Islands have to rely heavily on the dynamism of regional elements to build up a manufacturing industry in the face of a number of constraints--the smallness of the local market, the high cost of raw material, a shortage of skilled labour and a lack of competitiveness on outside markets. In addition, businessmen on the Islands frequently find it difficult to obtain local funding.

The program has two facets to encourage the growth of the Magdalen Islands' manufacturing industry:

1) Financial assistance for small and medium-sized businesses

To alleviate the financial difficulties that small and medium-sized businesses have to contend with, the program would offer incentives of up to 50 per cent of eligible capital costs. In order for a company to take advantage of this however, total investment in the project under consideration would have to be less than \$330,000. The program would be open to all industrial firms and all types of project (expansion, modernization, new facility). The capital cost would have to be more than \$5,000.

2) Including parts of the primary and tertiary sectors in the RDIA program

Some primary and tertiary activities now become eligible for incentives under both the small and medium-sized businesses program and, as secondary activities now are, the RDIA program. This would, however, be conditional on such primary and tertiary activities being an essential part of an industrial processing operation.

Economic studies At its wording sessions on setting priorities, the Advisory Committee proposed a number of initiatives that could not be included in the final list because of a lack of information on several aspects of projects. Consequently, the Advisory Committee recommended that the development program should fund feasibility and market studies for several industrial projects.

The development program could, in the near future, provide funds for feasibility studies on a composting plant and a seal skin processing plant. It should be mentioned here that the Department of Regional Economic Expansion has just funded a technical study on the construction and layout of a marina at Cap-aux-Meules. Last, it might be necessary to undertake a study to identify new economic activities that would help diversify the Islands' economic base.

THE JOINT PROGRAM

Fisheries--
land
infrastructure

The Department of Regional Economic Expansion is currently engaged in discussions with the Government of Quebec on the possibility of amending the facet on fishery parks in the Subsidiary Agreement on Industrial Infrastructure, the aim being to fund land infrastructure. Since the facet on fishing in the development program is an important one, it seems appropriate to include in it the action currently being negotiated. In addition to port infrastructure, the plan of action could therefore finance other types of infrastructures as well. Initially, this would involve

setting up at Cap-aux-Meules a service centre, for use by the local community, that could accommodate up to 70 boats. It would also be possible to expand fish handling and storage facilities in the islands and to build a regional cold storage plant at Cap-aux-Meules.

The tourist industry

In the last few years, tourism, in spite of its very seasonal nature, has helped somewhat to diversify economic activity. The geographic location of the Islands and the variety and beauty of their natural setting make them particularly attractive to tourists and they continue to draw visitors in ever increasing numbers. Tourism is the second largest industry after deep sea fishing and recent experience has shown that suitable development action would allow the Islands' tourism potential to be exploited more intensively.

First, funds would be allocated for the completion of the information centre, which was started with funds from the tourism commission. It is essential to finish work on it, particularly in view of its prime location in Cap-aux-Meules, where the ferry from Prince Edward Island docks.

The second project would be a well-equipped marina at Cap-aux-Meules. The Islands' geographic location and marine setting make them a favourite spot for pleasure sailing and related activities. However, it is becoming more and more difficult for the many sailboats and motor boats to find suitable mooring facilities. At present, all available space is used to over-capacity by fishing boats and this project would help alleviate congestion in the area reserved for them.

Moreover, the Magdalen Islands are renowned for the natural beauty of their beaches which have always been a prime tourist attraction. The increasing number of visitors makes it imperative to provide number of municipal beaches with basic facilities, mainly drinking water and changing cabins.

Agriculture

At the moment, the Magdalen Islands are forced to import the major part of their agricultural produce. In addition, the smallness of the population limits the local market and hinders profitable commercial operations. However, it seems that a number of measures could be taken to reduce the Islands' dependence on outside sources of supply. Action would be taken mainly in two areas: livestock and vegetable production, including storage.

Raising beef cattle is an occupation which, in certain conditions, can well be done on a part-time basis and demands less equipment and expertise than other types of agricultural work. It can also be done on a very small scale and adapt well to the particular conditions found on the Islands. Setting up some feedlots would provide a stable base and small scale production could easily be encouraged. In order to make the operation more profitable, it would probably be advisable to make production assistance conditional on using the local slaughterhouse for beef destined for the local market.

Vegetable growing as a commercial operation is almost non-existent on the Islands. Although such an operation is both feasible and desirable, a program of assistance should not be instituted unless there are assurances that a minimum number of producers will be involved, otherwise there will be no return on the investment in production equipment and infrastructure. Since vegetables grown on the Islands would be marketed as fresh, not processed, produce, it would be advisable to provide storage facilities in order to lengthen the marketing season.

Because of the prevailing weather conditions in the Magdalen Islands, greenhouses should be erected in strategic locations to provide a sheltered environment for various types of crop. Last, in order to ensure that all the measures proposed will be effective, a local training program should be set up for agricultural producers.

PROGRAM
IMPLEMENTATION

In order to ensure the effective implementation of the economic development program the Department of Regional Economic Expansion proposes to declare the Magdalen Islands a Special Area for the period April 1, 1981 to March 31, 1985. This would enable the federal government to carry out projects requiring a total expenditure of \$13.8 million. Those projects included in the joint program could be implemented by means of a Subsidiary Agreement under which Canada would assume 60 per cent of the costs and Quebec 40 per cent.

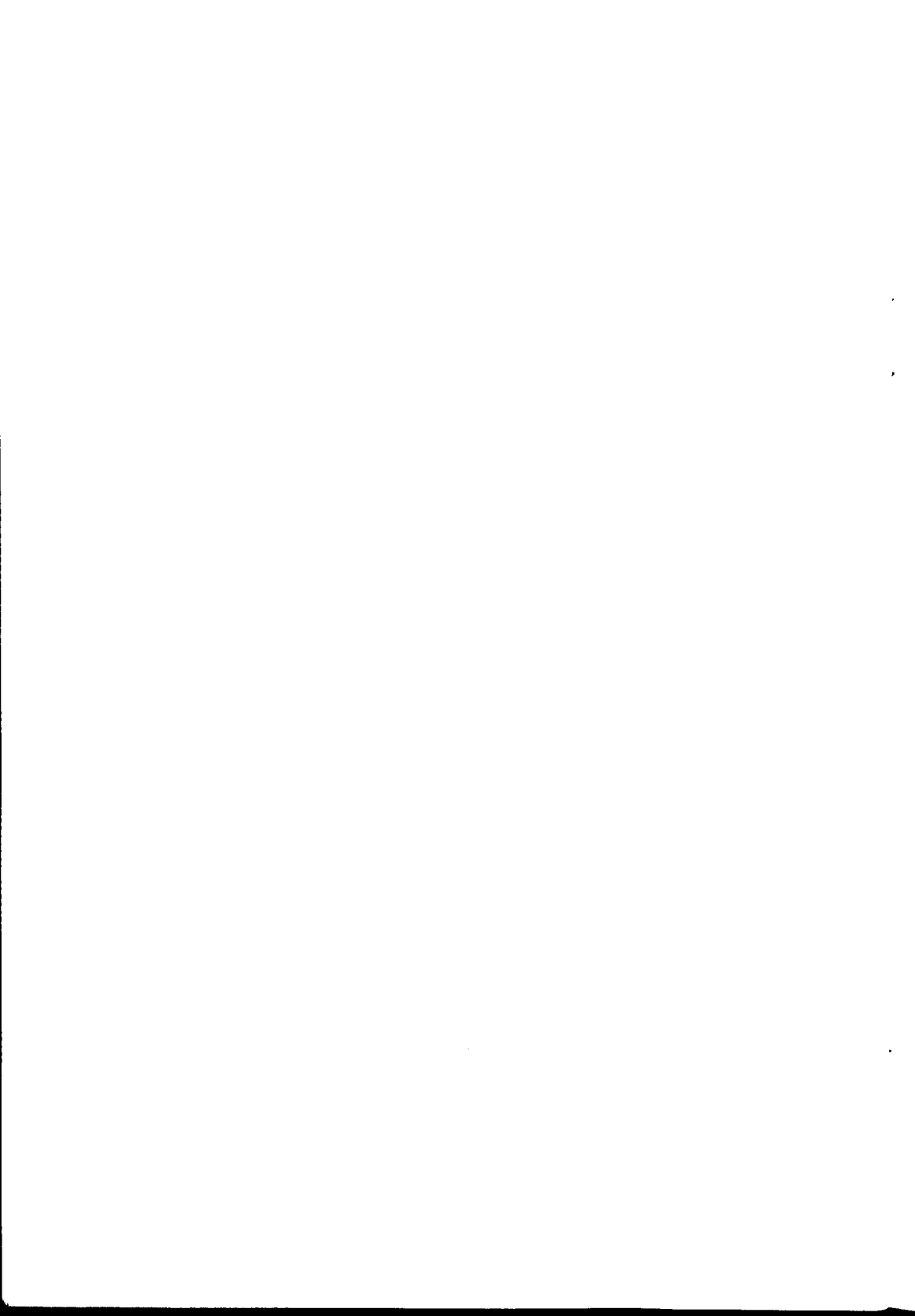
The day to day management of Special Area projects would be entrusted to a federal Management Committee chaired by DREE. The Committee's members would be drawn from the federal departments involved in the projects to be implemented. If it proves possible to carry out the joint program by means of a Subsidiary Agreement, the Management Committee would be enlarged to include representatives of the Government of Quebec.

CONCLUSION

Given the Magdalen Islands' precarious economic situation, the intervention proposal shows the federal government's resolve to propose special measures and make a large financial commitment in order to strengthen the region's economy. The intervention program was drawn up in close co-operation with the main federal departments involved, which will continue to be associated with the task of defining projects in greater detail and make a financial contribution to the plan's implementation. The program is as accurate a reflection as possible of the development priorities set by the local Advisory Committee.

SUMMARY TABLES

- Economic Development Program
(breakdown of costs)
- Map of Magdalen Islands
- Regular programming of federal departments
- Special Area (DREE commitments)
- Special Area (projects financed by DREE)
- Canada-Quebec Agreement
(breakdown of costs)
- Canada-Quebec Agreement
(project description)
- Special Area
(projects to be realised in 1981)

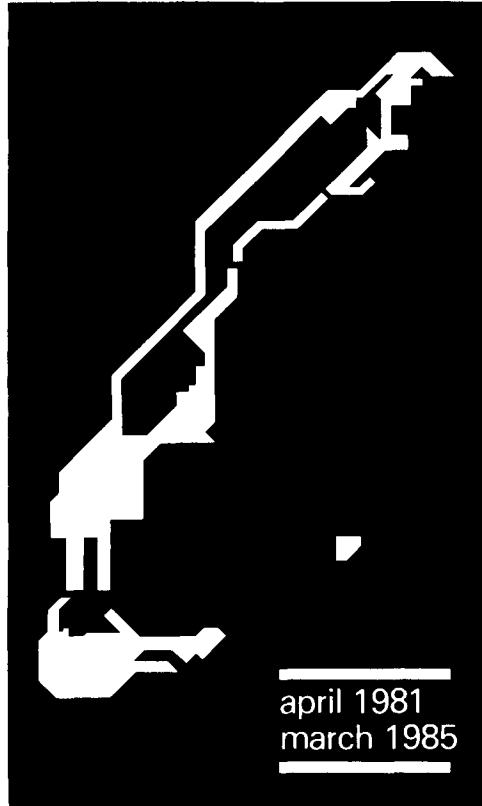


Magdalen Islands

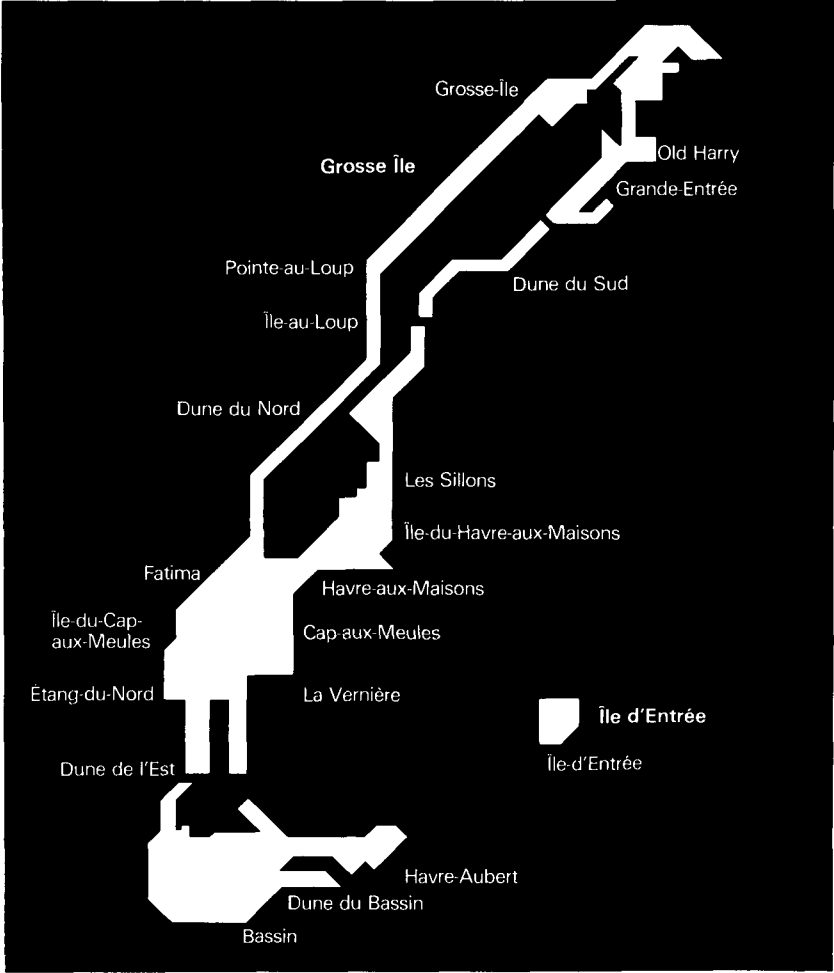
DREE
Commitments
(Special Area
\$13.8 million)

Canada-Québec
Agreement
(\$7 million)
(60% - 40%)

Total
(\$20.8 million)



Magdalen Islands





Magdalen Islands

Regular Programming

(in thousands of dollars)

Department of Transport	Air terminal and parking area	\$1,774
	Runway	\$797
	Vehicle and navigation	\$895
		<hr/>
		\$3,466
Department of Fisheries and Oceans	Harbour infrastructures	\$3,600
Department of Regional Econo- mic Expansion Tourism	Magdalen Islands Park	\$315
	Holiday camps	\$198
Highways	Upgrading of Highway 199	\$676
		<hr/>
		\$1,189
Total		<hr/> \$8,255 <hr/>



Magdalen Islands Special Area

DREE commitments

Fisheries	\$7,000,000
Transportation	\$2,750,000
Industrial development	\$2,000,000
Economic Studies	\$200,000
Reserve and indirect costs	\$1,825,000
Total	\$13,775,000



Magdalen Islands Special Area

Projects financed by DREE

**Fisheries-
harbour
infrastructures
(\$7 million)**

- Breakwaters and protection
- Harbour improvements and protection
- Wharf and hauling - breakwater equipment
- Studies and drilling

**Transportation
(\$2.8 million)**

- Refuelling station
- Runway

**Industrial
development
(\$2 million)**

- Financial aid to small and medium businesses

**Economic
Studies
(\$200,000)**

- Composting
 - Seal skins
 - Development opportunities
 - Marina
 - Other studies
-



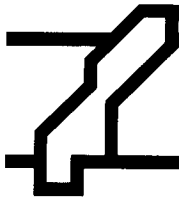
Magdalen Islands

Canada-Québec Agreement*

(in thousands of dollars)

	Total Cost	Canada	Québec
Fisheries (Land infrastructure)	\$2,400	\$1,440	\$960
Tourism development	\$2,250	\$1,350	\$900
Agricultural development	\$1,375	\$825	\$550
Reserve and indirect costs	\$975	\$585	\$390
Total	\$7,000	\$4,200	\$2,800

*Canada: 60%
Québec: 40%



Magdalen Islands

Canada-Québec Agreement Project description

**Fisheries/
land
infrastructure
(\$2.4 million)**

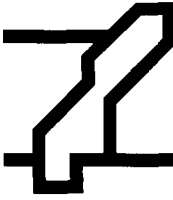
- Service centre
- Fish handling and storage
- Cold storage plant

**Tourism
(\$2.3 million)**

- Information centre
- Marina
- Municipal beaches

**Agriculture
(\$1.4 million)**

- Beef cattle
 - Feedlot
 - Vegetable growing in greenhouses
 - Multipurpose storage facility
 - Training of producers
-



Magdalen Islands Special Area

Projects to be realised in 1981

Fisheries

- Breakwaters and protection (Grosse-Ile)
- Harbour and protection (Pointe-au-Loup)
- Breakwater equipment
- Studies and drillings

Transportation

- Refuelling station
- Runway (Purchase of land, studies)
- Terminal (Construction)

Economic Studies

- Composting
- Seal skins
- Development opportunities
- Marina

Industrial Development

- Small and medium businesses program
-



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