ECONOMIC DEVELOPMENT PROSPECTS IN ONTARIO

One of a series of reports
on development prospects
in the provinces, territories,
and regions of Canada
prepared by [Canada.
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ONTARIO REFERENCE MAP

PREFACE

In 1973, the Department of Regional Economic Expansion issued a series of reports on the economic circumstances of each of the provinces and their prospects for development. These reports were useful in discussions which led to the successful implementation of a new federal-provincial mechanism, the General Development Agreement, which was designed as a flexible tool to pursue regional development in Canada. This mechanism has as its central objective the formulation of integrated federal-provincial regional development strategies based on the identification and pursuit of development opportunities.

With the aid of hindsight, it now appears that the mid-1970s represented a watershed period in many respects, as fundamental realignments and adjustments occurred internationally and within Canada. These considerations, in conjunction with the recent public discussion concerning the appropriate roles of business, labour and governments in the economy, suggest that this is an opportune time to review in a comprehensive fashion some major economic issues and factors affecting regional development. This report expands upon previous DREE reviews of provincial economic circumstances and opportunities by examining the major factors affecting the provincial economy's performance. In addition, it explores the policy issues and instruments which affect development planning and which have a bearing on the potential for realizing development opportunities.

The analysis begins with a description of factors relating to economic development, a description of Ontario's economic structure and an assessment of the economic performance of the province. This section provides a context for the next section which deals with specific development problems facing the province and the issues which bear on its economic development. Federal and provincial approaches to development are then discussed. The following section on development opportunities is the central focus of the report. In this section, the comparative advantages of the province are described and potential economic development opportunities are highlighted.

It is a truism that, over time, regional economic circumstances and development opportunities will continue to change and evolve. In a similar vein, it is apparent that economic development will continue to require an evolving spirit of policy coordination within and between various orders of government. In this context, it is hoped that this report will serve as a backdrop to federal-provincial discussions on the economy and to the further formulation and implementation of integrated federal-provincial development strategies and, at a broader level, contribute a spatial dimension to economic policy-making over the medium term.

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1. OVERVIEW

Although there appear to be some positive development opportunities in Ontario during the medium term, it is of significance that Ontario's position in the economy has been changing as its share of Gross National Product has been gradually declining during this decade with the shift in the economic centre of gravity westwards. Continuation of Ontario's economic momentum and its corresponding contribution to the strength of the Canadian economy would appear to be particularly dependent upon strong government action at this time. Industrial adjustment and stimulation, reinforcement of the province's natural advantages and steps to alleviate rising energy costs are all issues of key priority.

Meanwhile, Ontario continues to be a province with marked sub-provincial variations and while southern Ontario relies heavily on its manufacturing, agriculture and tertiary sectors, northern Ontario is dominated by resource-based activities, notably mining and forestry. Eastern Ontario, in contrast, is heavily oriented to the tertiary sector and, in particular, public administration. Its agricultural sector, while significant, is currently moving through a period of transition to higher technology and fewer farms, while the manufacturing sector remains small and, in many cases, the physical plant shows signs of old age and inefficiency.

The economic performances of each of the sub-provincial regions have all been subject to international conditions, the vagaries of the world market and government restraint programs with varying effects. Southern Ontario, while remaining the strongest of the regions, has felt the restrictive effects of the changing international situation the most. Its important manufacturing industry has been hurt by rising inflation, brought on largely by the high cost of energy, and by the challenge of the Third World countries in the more labour-intensive manufacturing industries. As a result, capital investment has lagged, which in turn has had serious implications for the region's large construction industry. Northern Ontario, in contrast, had its economic activity affected indirectly by the impact of its major buyers. Hence, the falling-off of demand (particularly in the U.S.) during the mid-seventies affected first the forestry and then the mining industry. Labour unrest in these sectors has also been a significant factor. In the eastern part of the province, the story has been largely associated with government cutbacks and the decentralization of the federal civil service out of the region. The public administration sector, which accounts for 25 per cent of employment, has actually experienced negative growth over the past five years.

Against these regional constraints, major development opportunities in the future appear to lie primarily in the manufacturing sector in southern Ontario. While concerned with regional problems, the prime interest of Ontario is that increased investment in manufacturing be encouraged to take place now, while the advantages of the low value of the dollar can be reaped and so that some positive benefits from the recently announced GATT tariff reductions can be gained. Recognizing the economy's faltering performance, the Government of Ontario is taking a more interventionist approach to development by offering direct financial assistance to manufacturing industries and attempting to attract developments involving high technology, rationalization and specialization. Despite the positive opportunities in manufacturing, however, the risk of continued inflation, the current United States recession, fluctuations in the value of the dollar and sharply rising energy costs could well detract significantly from the provincial government's development efforts.

The future of Ontario is up for review. Traditional advantages have been weakened, old development attitudes are no longer applicable and the international economic situation has changed drastically. Ontario, which has been becoming increasingly concerned with stimulating slow-growth areas within its boundaries, must now be even more conscious of the overall development of the province itself. No longer can Ontario's continued growth be taken for granted by any level of government. Industrial adjustment and stimulation will be a major priority of the eighties.

2. ECONOMIC DEVELOPMENT FACTORS

2.1 Background Factors

The Province of Ontario has traditionally played a dominant role in the Canadian economy. From the inception of the 'National Policy' and its goal of strong east-west links in domestic resource extraction, processing and marketing, to the present realization of distinct regional economies, Ontario's economy has been considered central to national development and the national distribution of goods and services.

However, despite its key role and despite the crucial role resources have played in Canadian development, Ontario's development was only moderately related to resource exploitation, partially because of other types of opportunities and partially due to the lack of many types of large, economically exploitable resources. It has, for example, very limited indigenous energy resources, producing only nine per cent of its required energy needs in 1975. Moreover, since the Second World War, Ontario has experienced a decline in its share of primary (resource) sector production. Notwithstanding this variable raw material supply, Ontario has led the rest of the country in the development of a strong and diverse manufacturing base and, in fact, dominates the nation's manufacturing activity. Accordingly, with the exception of northern Ontario, economic development in the province has not been primarily associated with natural resource exploitation, but has been based mainly on other major factors. These factors include: physical setting, human resources, industrial structure, market availability and the provision of a good institutional environment.

Since the late 18th century, economic development in Ontario has been largely attributed to its geographic setting in central Canada and, notably, the province's access to large foreign markets in the northeastern United States and overseas. Development of transportation systems, such as the St. Lawrence Seaway, has greatly facilitated Ontario's growth as both a centre of processing and secondary manufacturing and as a focal point of commerce for the collection and distribution of domestic goods and services. The size and physical diversity of the province, too, has helped in the ongoing development of many specialized and unique activities within the province's major economic sectors. Hence, primarily on the basis of the two key ingredients of location and setting, Ontario has expanded and prospered over the years.

The remaining factors of industrial structure, market, human resources and institutional environment, while important, are in reality offshoots of the initial development caused by the province's physical setting. These factors, in turn, reinforced the initial development trend and perpetuated it. Thus, as a result of the historic concentration of economic activity in Ontario, an industrial structure grew up which attained a degree of sustained growth based on an endless sequence of new infrastructure installation, up-to-date services and ever-growing industrial linkage opportunities. This industrial structure generated the requisite skills, trades and traditions amongst the province's labour force, created a strong local domestic market and spawned the necessary institutional environment for future growth. These factors singly and collectively served to attract further growth and economic diversification to the Ontario region and have, therefore, become integral parts of the province's growth process and its development success. Success created by these factors, however, has brought additional particular problems and vulnerabilities.

Not all parts of the province have shared equally in the growth or the benefits of the previously described development factors. Northern Ontario does not have the locational advantages of southern Ontario and, consequently, has failed to develop the integrated growth structure outlined generally for the province. Development in this sub-region has been based primarily on the area's natural resources which has made it reliant on the vagaries of the market place and a dependent hinterland of the industrial heartland to the south. Growth in northern Ontario, to a large degree, is determined externally and the area is characterized by all the traits typical of a dependent, resource-oriented, slow-growth economy. Some of these same difficulties, to a smaller degree, also exist in eastern Ontario. While this latter sub-region shares most of southern Ontario's locational and physical advantages, it has nonetheless failed to develop its own momentum and relies for its stimulus largely on outside demand or through public sector expenditures. Although the sub-region has failed to attain self-sustained economic growth and remains highly vulnerable to conditions affecting its few key economic activities, its potential for diversified growth, unlike northern Ontario, is apparent. With the fuller development of the area's economic structure, many of the Ontario development factors can yet still come into play, and significant development is possible. Accordingly, in dealing with growth and development in Ontario, the perspective of three unique sub-regions must be recognized and each dealt with separately.

Apart from the spatial differences in Ontario's development attributes, the overall strengths of the factors must also be put in the context of recent events and changing conditions. While in the past Ontario's development factors have been significant enough to secure a leading position for the province in the national economy, the increasing importance and cost of energy have recently had a major impact on the status quo.

The exploration and development of energy resources have become the major development magnet for capital investment and new employment creation during the seventies and have been reserved, in large part, to western Canada. With Ontario having very restricted indigenous energy resources, the long-term availability of cheap and abundant energy is clearly a problem for the province, too, and may well have implications for the province's future relative development advantages. The trend to increasing foreign trade and competition has also had negative implications for Ontario's continuing development and growth, particularly in the areas of resource exploitation and labour-intensive manufacturing where Third World countries have recently become more active. This more intense competition has tended to undermine some of Ontario's unique development advantages, particularly within the domestic Canadian market. Consequently, Ontario, as a result of the trade and energy issues, has been faced during the seventies with the reality that it is no longer the unchallenged leader; the province is currently experiencing some difficulty maintaining itself at a level commensurate with the national performance. While the province's development factors are still strong influences, they are not so all-pervading as they once were.

2.2 The Ontario Economy in Perspective

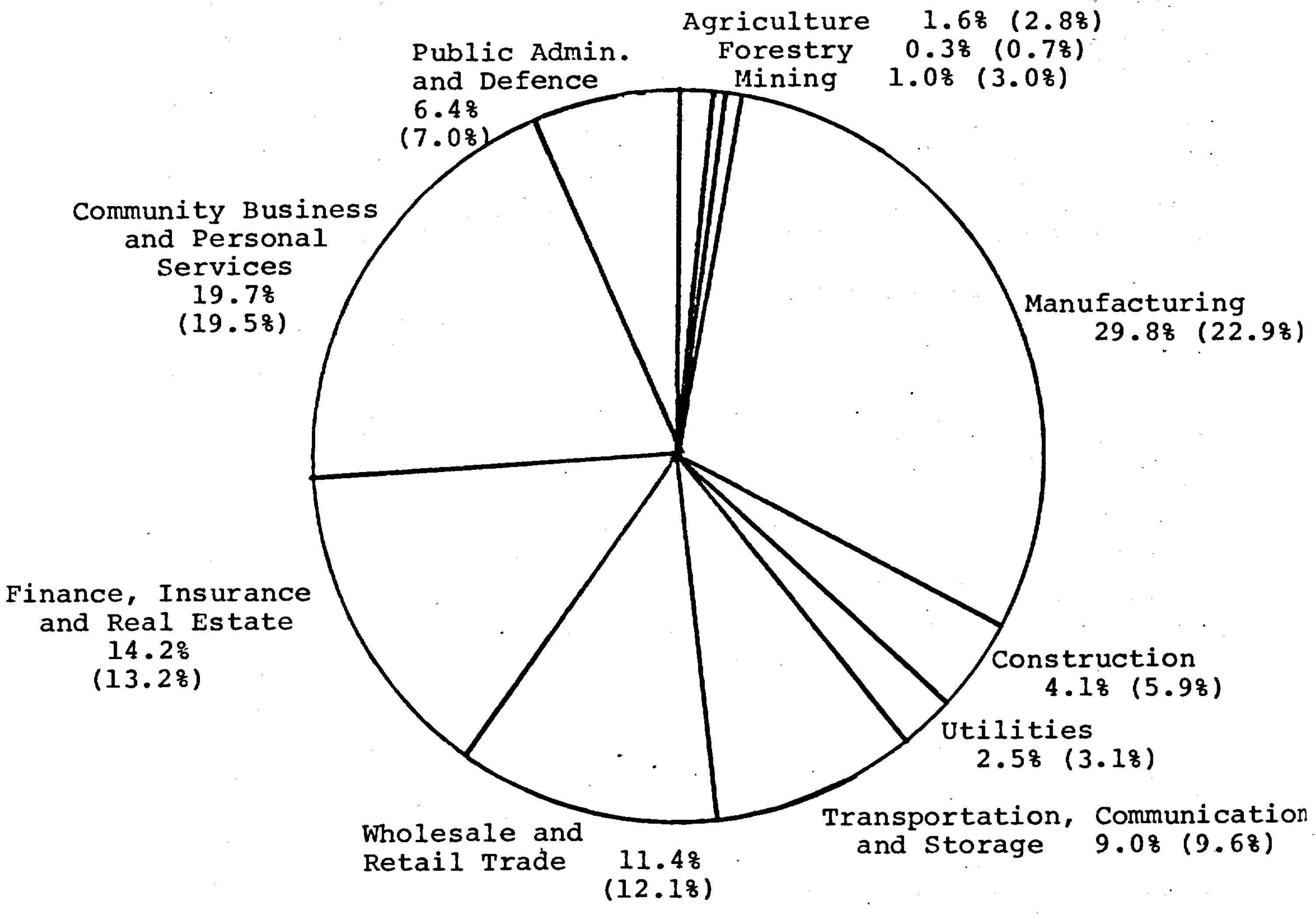
2.2.1 Economic Structure

The most significant components of the Ontario economy are the manufacturing and community, business and personal services sectors which, in 1978, accounted for 29.8 and 19.7 per cent respectively of the province's real domestic product (R.D.P.). Information on R.D.P. shares of other Ontario sectors are provided in Figure 1, along with comparative data for the national economy. It is noteworthy that the manufacturing and the finance, insurance and real estate sectors play relatively more important roles in the Ontario economy than is the case nationally, while the primary resource sector plays a less significant role.

A somewhat different picture of the Ontario economy emerges if employment data are examined in lieu of real domestic product. While manufacturing and community, business and personal services remain the largest sectors, the latter is more significant with 27.5 compared to 24.5 per cent of the employment in 1978. This change-around reflects the relative degree of productivity between the two sectors. Other important shifts include a greater significance for the wholesale and retail trade sector with 17 per cent of provincial employment, as opposed to an 11.4 per cent share of R.D.P., and much less significance for the finance, insurance and real estate sector. This last sector

Figure 1

ONTARIO'S ECONOMIC STRUCTURE:
SECTOR SHARE BY REAL DOMESTIC PRODUCT, 1978



NOTE: Figures in parentheses represent the comparable Canadian share. While there is no figure presented for fishing in Ontario as it is negligible, the Canadian share is 0.1%.

accounts for only 6.1 per cent of Ontario employment, but 14.2 per cent of provincial R.D.P.

A closer examination of the important manufacturing sector in Ontario reveals the key industries to be food and beverage and transportation equipment, followed by the metal fabricating, primary metal and electrical products industries. Figure 2 gives information on all the relative shares of the various manufacturing industries within this sector based on value-added data for 1976. Comparative information on the national structure is also provided. Generally, the paper and allied, wood, and food and beverage industries are far more important on a national scale, while the primary metal, metal fabricating, machinery, transportation equipment and electrical products industries play a relatively more significant role in the Ontario economy.

If the measure of employment is used in assessing the manufacturing sector, the transportation equipment industry remains the most important, but the metal fabricating industry transplants the food and beverage industry as the second most important. Again, the different results between approaches can be attributed to the differences in productivity for the various industries. This productivity factor also causes the electrical products, textiles, knitting and clothing industries to increase their relative significance as well. It is important to note in relation to employment figures that Ontario tends to have fewer labour-intensive industries than generally appears to be the case at the national level.

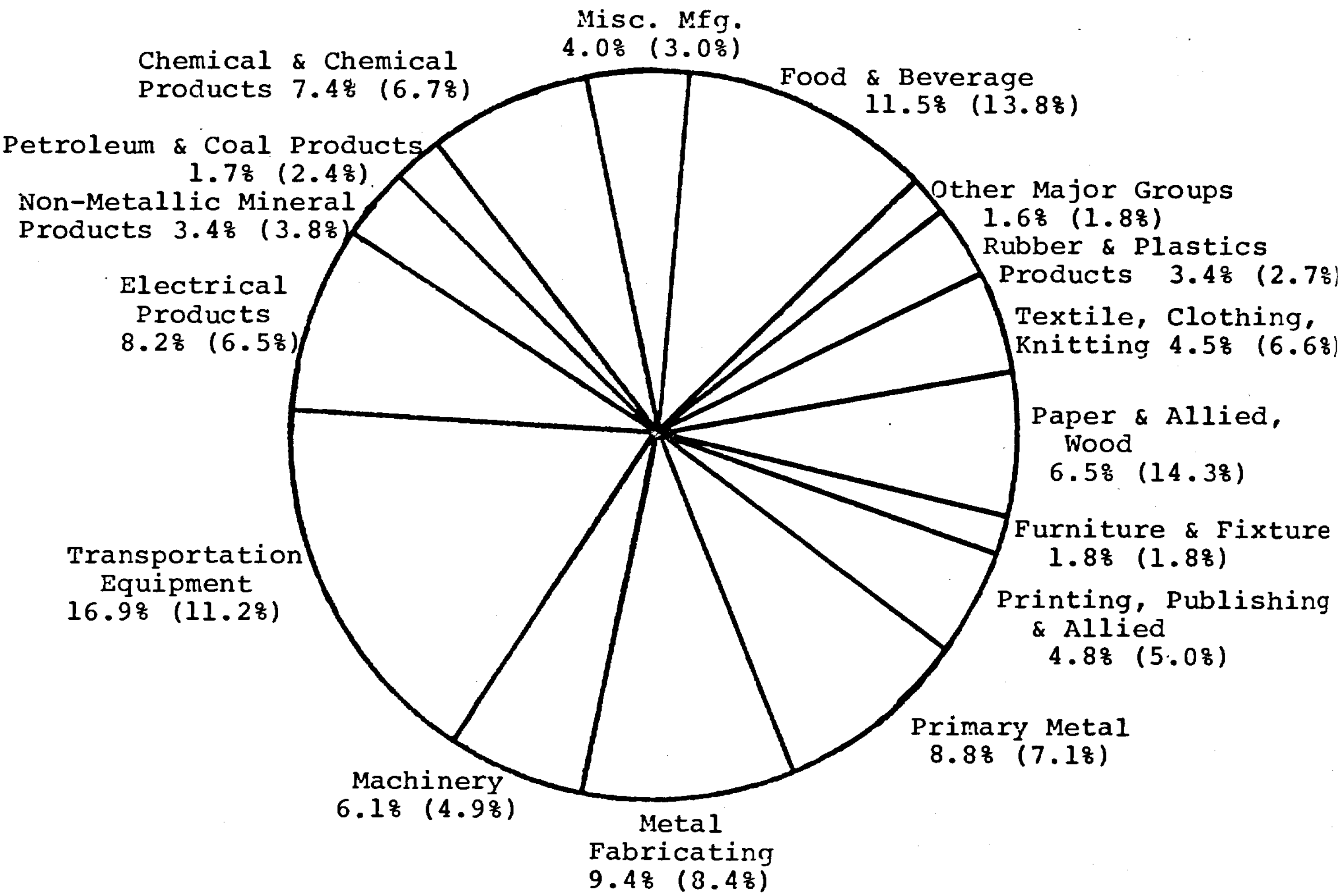
2.2.2 The Provincial Economy in the National Context

Ontario, in terms of size, constitutes 10.7 per cent of the Canadian land mass and, as of 1978, contained 36 per cent of the nation's population. Its disproportionate economic importance is demonstrated by the province's 38.1 per cent share of the country's labour force, 36.5 per cent share of the national retail sales, 44.2 per cent share of export trade and 39.9 per cent share of personal income. In terms of real domestic product, Ontario accounted for 41 per cent of national production in 1978. Figure 3 provides further information on the relative significance of the various sectors and industries of the Ontario economy in the national context.

Despite the apparent strength of the Ontario economy, conditions have not been conducive to its meaningful development during the seventies. Indeed, during this period, it has, on the basis of many economic indicators, actually failed to achieve the same level of performance experienced by the rest of Canada (Figure 4). While the narrowing of regional disparities across Canada is an entirely desirable objective, and is a federal government policy, the fact that it is occurring

Figure 2

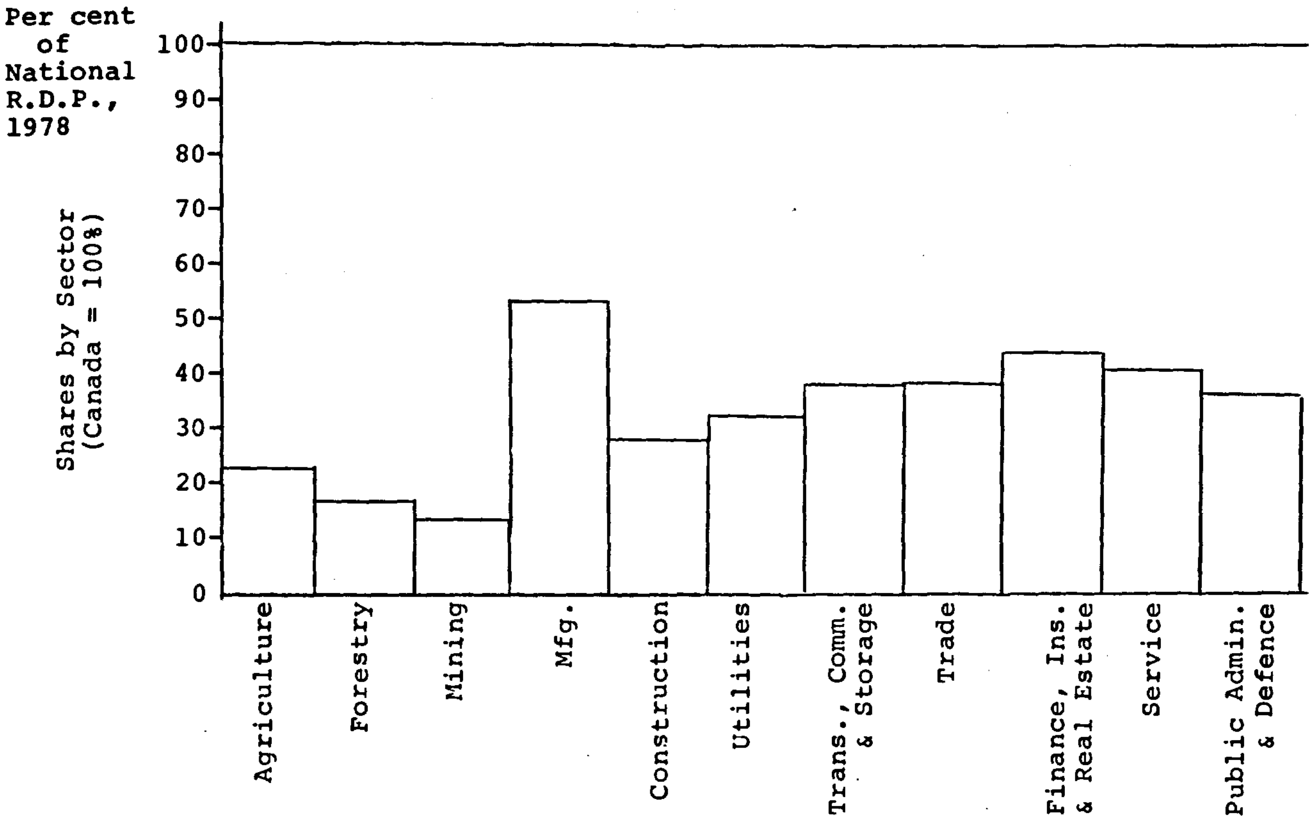
ONTARIO'S MANUFACTURING SECTOR:
INDUSTRIES SHARE BY VALUE-ADDED, 1976



NOTE: Figures in parentheses represent the comparable Canadian share.

Figure 3

ONTARIO'S POSITION IN THE CANADIAN ECONOMY



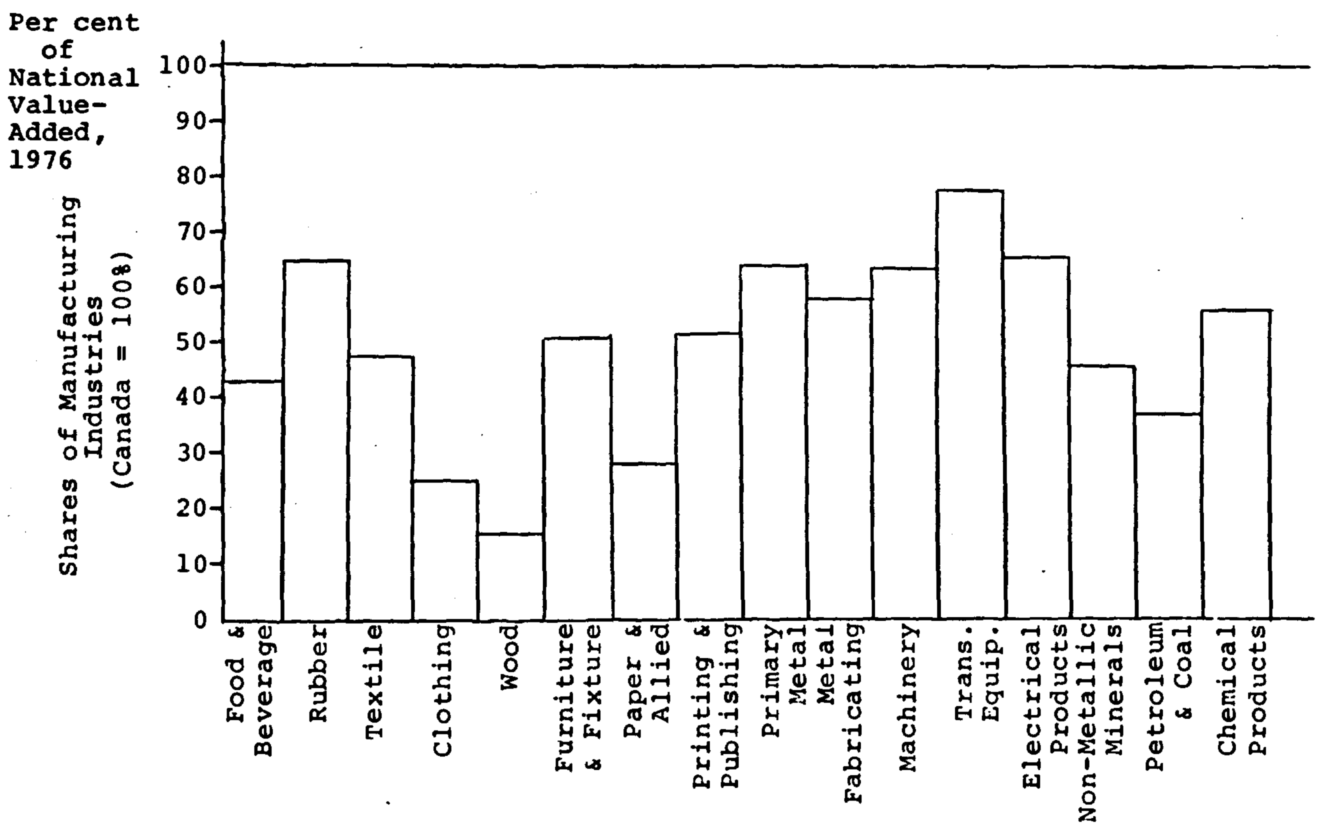


Figure 4

CHANGES IN ONTARIO'S POSITION RELATIVE TO OTHER PROVINCES

Factor	Ontario Ranking	Notes
Average Annual % Growth of Gross Provincial Product 1970-77	8th	Ontario's share of GNP declined from 41.9% in 1970 to 39.9% in 1977.
Average government expenditure on Goods and Services as a share of Gross Provincial Expenditures	6th in 1970 7th in 1977	Ontario's share increased from 18.8% in 1970 to 19.5% in 1977.
Average Annual % Growth of Per Capita GPP 1970-77	10th (last)	
Average Annual % Growth of Per Capita Income 1970-77	11th (last)	
Average Annual % Growth of Per Capita Federal Transfer Payments to Persons as % of Personal Per Capita Income 1970-77	6th	Ontario's share grew from 5.2% in 1970 to 6.2% in 1977.
Average Annual % Growth Rates of Per Capita Personal Disposable Income	10th (last)	Ontario's per capita disposable income was highest in 1970 ($2 939) and in 1977 ($6 591), but the spread between provincial levels has contracted.
Average Annual % Growth Rate of Public Investment 1970-79	10th (last)	Ontario's share declined from 37% in 1970 to 26.9% in 1979.
Average Annual % Growth Rate of Manufacturing Investment 1970-79	8th	Ontario's share remained almost constant at 50% between 1970 and 1979 but its growth rate of 10.2% between 1978-79 was the third lowest of all provinces.
Average Annual % Growth Rate of Estimated Values of Manufacturing Shipments by Province of Origin 1970-78	8th	Ontario's share declined from 51.8% in 1970 to 49.4% in 1978.
Average Annual % Growth Rate of Private Investment by Province 1970-79	7th	Ontario's share declined from 39.3% in 1970 to 33.4% in 1979.
Average Annual % Growth of Residential Construction 1970-78	10th (last)	Ontario's share declined from 46.7% in 1970 to 33% in 1978.

more by means of Ontario's weakening position rather than through other regions' growing strength, with the possible exception of Alberta and British Columbia, should be a matter of national concern. A weakening of the industrial centre, which results not from offsetting domestic competition and development, but from other outside forces such as foreign competition and energy supply, will have negative implications for the whole country.

The next section in this chapter moves beyond the structure and past performance of the Ontario economy and provides an analysis of the current economic circumstances and an outlook for the eighties.

2.3 Overview of Economic Performance

2.3.1 General Indicators

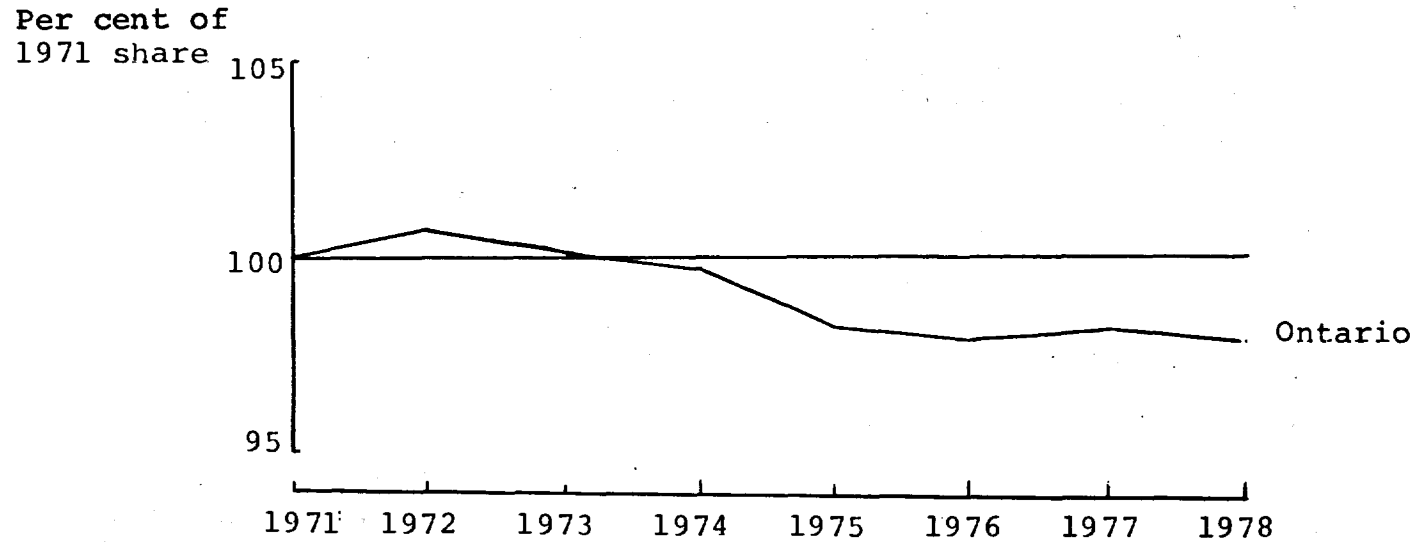
While Ontario's real domestic product growth for the years 1971 to 1973 averaged well above 5 per cent, it has since fallen to an average of 2.9 per cent during the past five years. This situation, while paralleled by the national performance, has not been as serious for the country as a whole; the decline in this case was to an average of 3.4 per cent. Thus, Ontario has registered one of the slowest growth rates of all provinces in the country during the past decade and the province's declining share of national R.D.P. is illustrated in Figure 5.

Within the Ontario economy, the service component has been the fastest growing sector, with the average annual R.D.P. growth since 1970 being 4.6 per cent. Contrasting with this has been the much slower growing goods-producing sector which had an annual average of 3 per cent. National annual R.D.P. averages for the service and goods sectors during the same period were 4.7 and 3.5 per cent respectively.

In terms of strengths and weaknesses, Ontario's R.D.P. performance during the seventies has been fairly consistently led by the transportation and communications, utilities and finance, insurance and real estate sectors, while agriculture, mining and the public administration sectors have had retarding influences. Long-term trends indicate a relatively stagnant agriculture sector, a steady decline in growth in the public administration sector and a consistently high degree of strength in the finance, insurance and real estate sector.

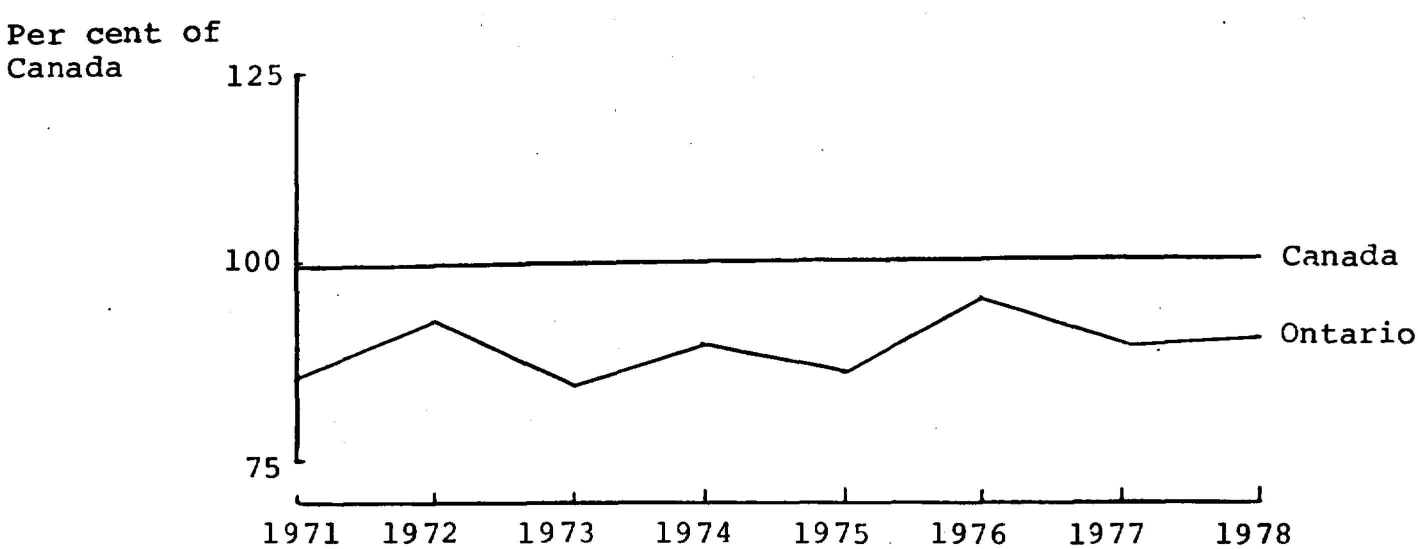
In addition to the recent weaker growth of Ontario's R.D.P., the income performance of the province has also been below par. National and provincial growth rates for per capita personal income are compared in Figure 6 and indicate a constant underperformance by the province during the seventies.

Figure 5 ONTARIO OUTPUT SHARE INDEX,*
1971-1978



* NOTE: The basic data is Ontario real domestic product at market prices. For the years 1971-1978, Ontario's R.D.P. was calculated as a % of the Canadian total. 1971 was then selected as a base year; the Ontario share of Canada R.D.P. was then expressed as a % of the region's share in 1971.

Figure 6 COMPARED GROWTH RATES OF PER CAPITA INCOME:
CANADA AND ONTARIO, 1971-1977



These slower growth rates have meant a narrowing of the income gap between Ontario and the rest of the country. According to one measurement, this gap has actually already been completely closed. Data from National Revenue indicate that the average income by taxfiler for 1977 for Ontario and Canada was $11 080 and $11 114 respectively. Nevertheless, because of the size of the population, Ontario continues to be the province of greatest concentration of income. In 1978, it retained 39.1 per cent of personal income generated within Canada.

Spatially, certain areas of Ontario are much poorer off than others in terms of incomes and rival some of the slowest growth areas in the country. While the provinces of Newfoundland and New Brunswick have average incomes of $9 505 and $9 362 respectively, Ontario counties such as Manitoulin Island and Haliburton have averaged reported incomes of $6 270 and $7 546 respectively. Other locations with incomes below the $8 500 level include the County of Prince Edward and the districts of Parry Sound and Temiskaming.

Aside from the two general indicators discussed, i.e. R.D.P. and income, information relating to other socio-economic indicators of a more specific nature are dealt with in the economic performances sections which follow and complete ~~the~~ this chapter.

2.3.2 Demographic Trends

The population of Ontario, which has slowed in its growth to 1.1 per cent during the past three years, is expected to surpass the 8 500 000 mark by mid-1979. The current slow growth of Ontario's population is part of a longer trend which started in 1973. A combination of continued low birth rates and decreasing immigration to the province, particularly since 1976, are the causes of this reduced growth. Ontario's share of immigrants arriving in Canada, moreover, has declined from 58 per cent in 1974 to 49 per cent in 1978. The result has been that only once in the last four years has Ontario's population growth exceeded the national average, an event which used to be a perennial occurrence (Figure 7).

Long-established trends in the changing age and sex characteristics of the population have continued. There is a decreasing percentage of population in the 0-14 age bracket, while the 20-39 age group has been expanding, which has had and will continue to have important implications for the growth of future labour supply in Ontario (Figure 8). Other characteristics include increasing female and elderly proportions of the population and further urban concentration. The increasing concentration factor has meant smaller relative populations in rural and northern Ontario.

Figure 7 COMPARED GROWTH RATES OF POPULATION: CANADA AND ONTARIO, 1971-1978

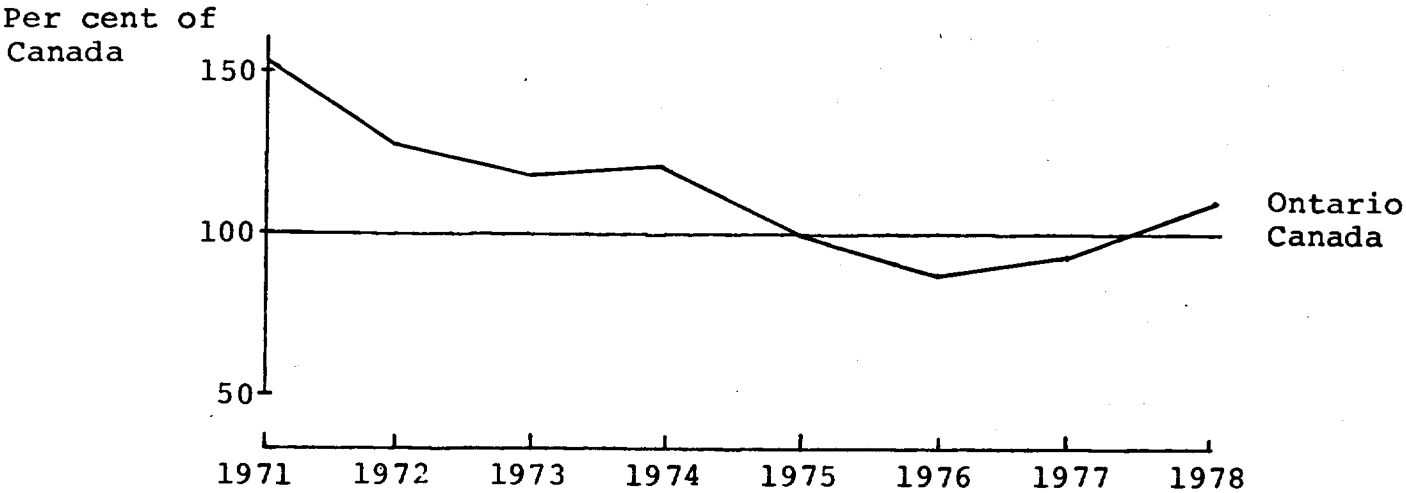
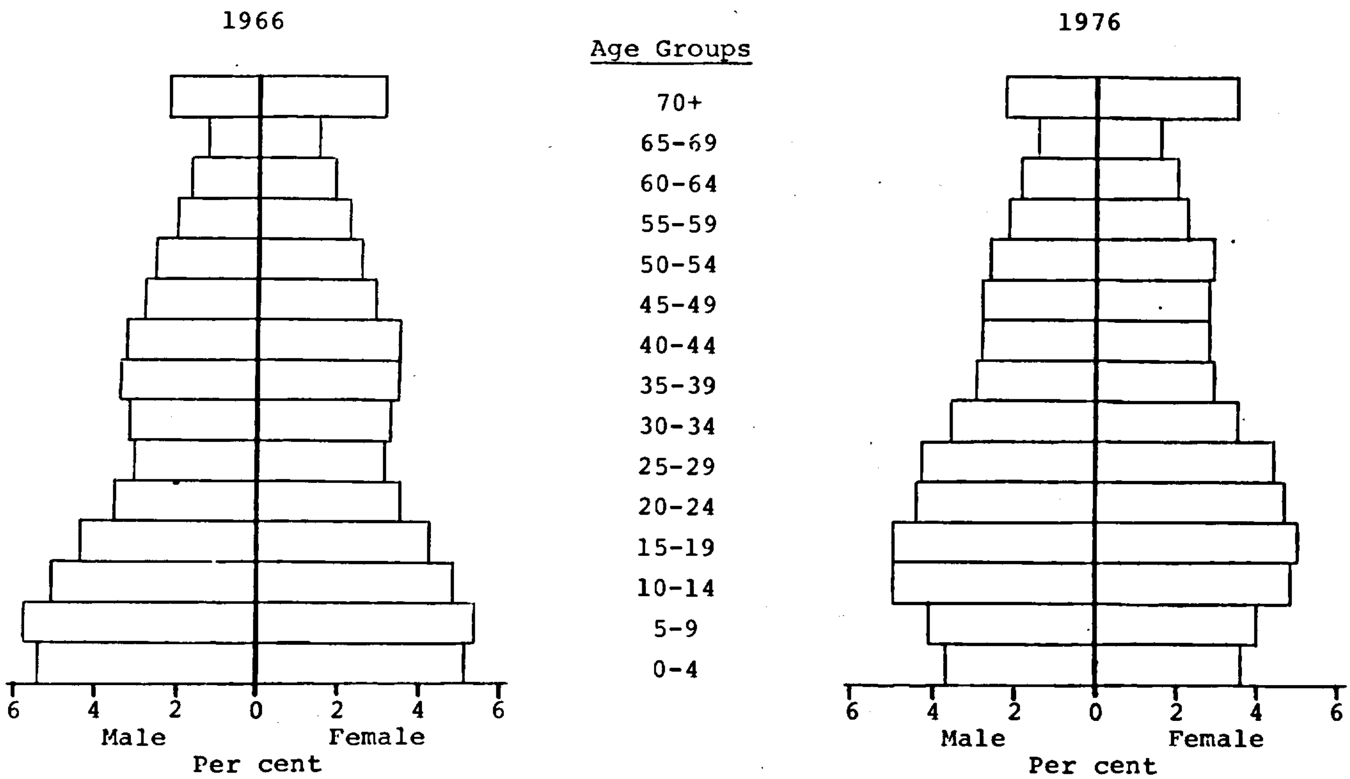


Figure 8 ONTARIO POPULATION BY AGE GROUP, 1966 and 1976



2.3.3 Labour Market

During 1978, the Ontario labour force expanded to 4 147 000 people of which 3 847 000 were employed. This represents annual growth rates of 3.8 per cent and 3.6 per cent for labour force and employment respectively. The faster growth in labour force, vis-à-vis employment, has been a consistent phenomenon of the past two years and has been the major factor behind the increasing provincial unemployment rate (Figure 9). The abnormally rapid growth in the number of new entrants into the labour force can be attributed partially to the maturation of the 'baby boom' generation, and the upward moving female participation rate (Figure 10). It is forecast that the strong labour force growth, a problem paralleled in many other provinces, will eventually weaken by the mid-1980s.

The provincial unemployment rate fluctuated between 6.9 per cent and 7.5 per cent during 1978, a significant rise over the previous year's range of 6.2 per cent to 7.4 per cent. While the rate has shown some modest decline during the first part of 1979, it is expected to rise again during the coming winter months. Unemployment among males has been consistently lower than that for females, although in both cases, the absolute numbers have been growing. On an age basis, unemployment is by far the highest among the 15-24 age group and has remained steadily above 13 per cent for the current year. Further information on unemployment rates is presented in Figure 11.

Employment in most industrial sectors grew at a modest rate during 1978, with the transportation, communication and utilities, finance, insurance and real estate and trade sectors displaying the strongest performances. The construction and non-agricultural primary industries were the only sectors which experienced negative growth. The service and manufacturing sectors continue to be the largest Ontario employers with over a million employees each, although the former group has displaced the latter in relative ranking as the largest during the past few years.

Two of the most serious areas of unemployment in the province are in those economic regions centred around Sudbury and Windsor. The unemployment rates were 9.5 per cent and 9.1 per cent respectively based on an eight-month average during the first part of 1979. The causes of this poor unemployment record in these districts vary, however, with Sudbury's problems being associated with depressed economic conditions, particularly as a result of the recent strike in the nickel industry, while the Windsor area is feeling the negative effects of the weakening economic conditions in the automobile industry.

Figure 9

POPULATION, EMPLOYMENT AND LABOUR-FORCE TRENDS IN ONTARIO, 1971-1978

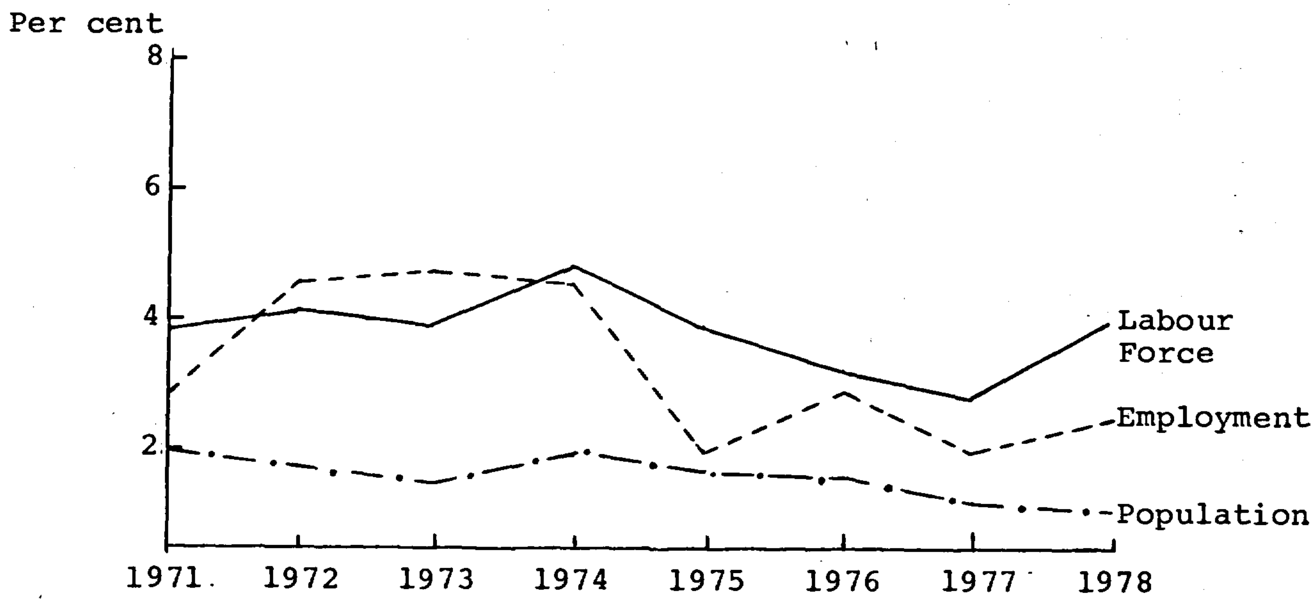


Figure 10

ONTARIO'S ANNUAL PARTICIPATION RATES 1971-1978

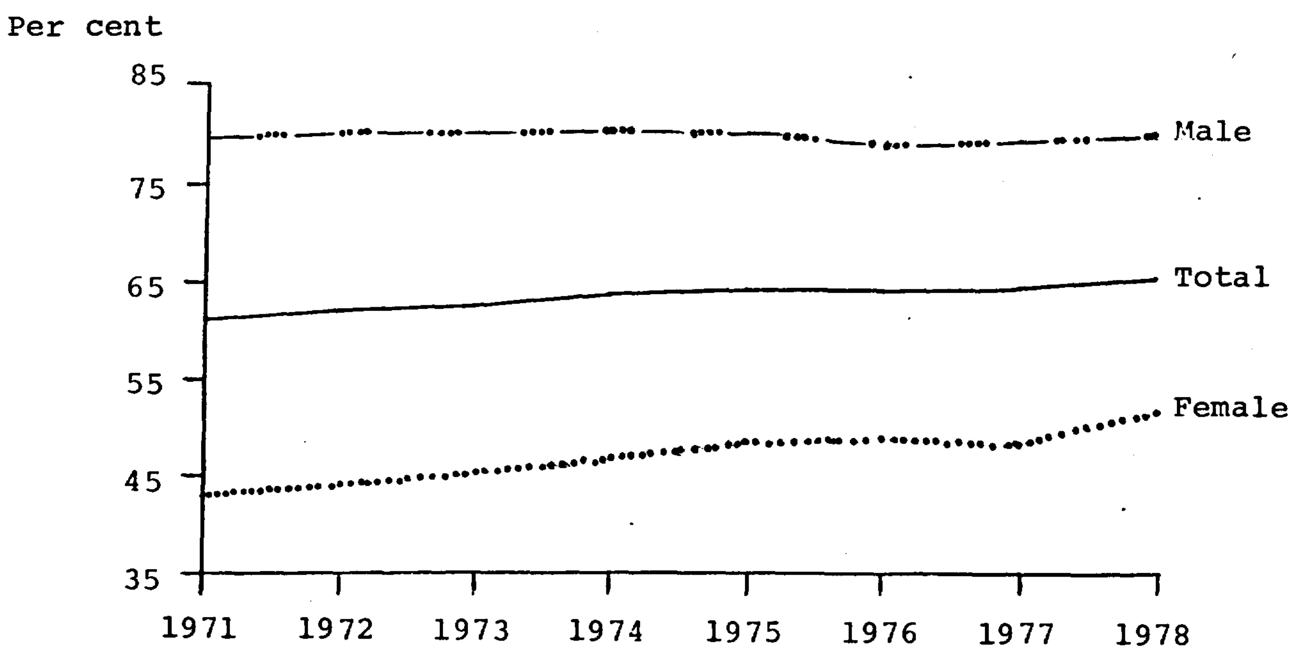
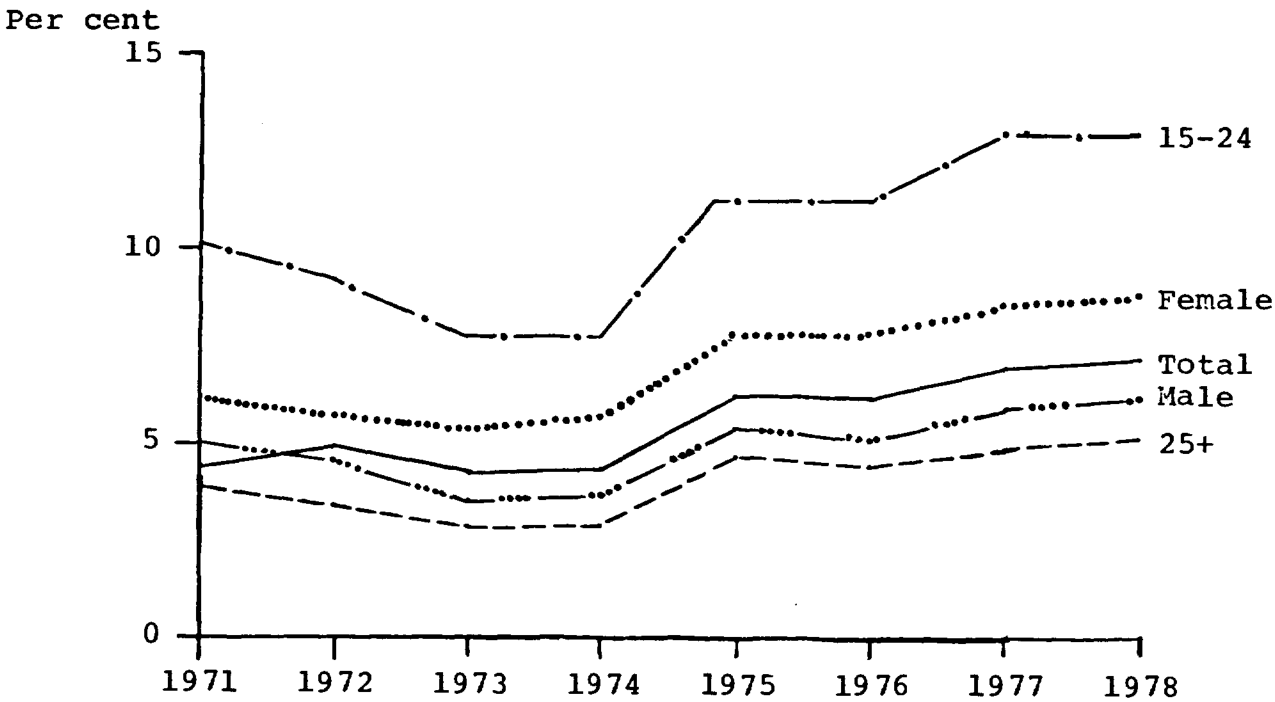


Figure 11 ONTARIO'S ANNUAL UNEMPLOYMENT RATES 1971-1978



2.3.4 Investment Climate

Capital investment in Ontario during 1978 showed little or no growth in real terms, although according to the gross figures, it advanced by 7.1 per cent. Estimates for 1979 indicate, however, that capital and repair expenditures will show some improved growth performance. Investment in the province is forecast to be $22.5 billion, a growth of 10.4 per cent in absolute terms over the corresponding 1978 figure.

A key factor influencing the better performance this year was the improved business expectations that existed during the first part of 1979 in the private sector due to higher profits. Increased export opportunities created by the lower exchange value of the Canadian dollar and generally better capacity-utilization rates in the manufacturing industry as a result of improved sales, both domestically and internationally, have also had a significant impact. Other positive factors include an improved public policy environment, especially with the termination of wage and price controls, the desire to be in the best competitive position with the completion of GATT negotiations and the backlog of capital projects that have been deferred during the period of slow growth following the economic recession of 1974-75 and which now need to be acted upon. Some current constraints on investment include the recent economic slowdown in the U.S., high interest rates, continuing inflation and the desire to pay good dividends to shareholders after a number of fallow years.

The number of residential housing starts was down by 11.8 per cent in Ontario in 1978, making it the second consecutive year of decline. In terms of actual dollar value, residential construction was off by 1.8 per cent. This would suggest that the current trend is towards more expensive single detached housing units. There has been some growth in non-residential building investment, but it was of little consequence in real terms. Capital investment in manufacturing, both for construction and machinery and equipment, showed actual declines in 1978 although the latter is expected to show some recovery in 1979. Commercial and retail construction, on the other hand, has been a recent strong performer for the province. Another major bright spot is associated with engineering construction. Utilities and other infrastructure development have shown strong real growth over the past year.

Expectations for 1979 are for some improvement in non-residential construction, particularly in the manufacturing sector with the transportation equipment, paper and allied and food and beverage industries leading the way. The petroleum and chemical industries, however, after substantial growth over the past years, are expected to show some decline in investment growth. Residential construction is expected to continue to suffer as a result of higher interest charges and fewer new home buyers entering the housing market due to the shifting age patterns of the population. Engineering construction should continue to experience relatively stable growth. Conditions in the construction industry as a whole, therefore, should improve generally in the coming year, although investment in machinery and equipment is expected to provide the major impetus.

2.3.5 Sectoral Review

Primary

Ontario farm cash receipts were $3.36 billion in 1978, an increase of $449 million or 17.5 per cent over 1977. This good year, which saw realized net income of Ontario farmers increase by close to 30 per cent, followed three years of slow growth or no growth within the agricultural sector. The strong perfomance can be attributed to excellent returns in crop cash receipts, which increased by approximately $144 million or 15.3 per cent, and impressive livestock earnings, whose receipts increased by $387 million or 21.6 per cent. The outlook for agriculture this year is for moderate growth, with a much weaker performance in the livestock sector.

The province's forest industry is continuing to perform well and has done so since its economic woes of 1975. Timber harvested on provincial Crown lands, for instance, increased by 20.8 per cent during 1978. The province's lumber industry has had a good year and expects the same during 1979. Forest-based manufacturing has also been largely responsible for the recent good performance in the forest sector. It is forecast, however, that growth in these industries will moderate significantly during the present year, partially due to the almost full capacity-utilization rates being experienced in some types of production. This in turn will lead to overall slower annual growth in the primary forest sector.

Ontario was the second largest provincial mineral producer in 1978, although output actually declined from the previous year. The drop in value of production of 12.9 per cent from $2.98 to $2.60 billion can be largely attributed to the strike in the nickel industry. This performance meant that for the second year, provincial mineral growth was outperformed by all the other major mineral-producing provinces and accordingly, Ontario's relative share of production declined. Within the metals sector, output was down in zinc and copper, in addition to nickel, while iron, gold and uranium production was up. Non-metallic minerals, fuels and structural materials also enjoyed positive growth throughout the year. The present outlook for 1979 is mixed. On the negative side, it appears there will be continued poor production in nickel, due to the Sudbury strike which halted production during the first part of the year, a fall-off in production in iron ore, as a result of the mine closings at Atikokan and Moose Mountain, and some economic hardship in the Agnew Lake area with the closing of the uranium mine there. On the positive side, the indications are for improved performances for gold, copper and zinc because of better market prices. These latter trends, along with the uranium operations in Elliot Lake, have led to some improved optimism recently for the mining sector and have stimulated some much needed exploration activity - something of a scarcity during the past two years.

Manufacturing

A healthy manufacturing sector in Ontario is vital because it accounts for about one third of the province's economic activity. During 1978, manufacturing had a strong performance with R.D.P. advancing by approximately 6 per cent. Despite this good performance, growth still lagged behind the national average - a relationship which was the general rule throughout most of the seventies, in contrast to the sixties when the opposite was true.

The increase in Ontario's industrial production during 1978 was parallelled by capacity utilization increases, faster rising productivity rates than in 1977, and slower increases in unit labour costs than had been the case in the past several years. Other favourable factors included improved profits, a better rate of return on sales, and sharp employment increases. These related developments will, in themselves, act as further stimuli to ongoing industrial growth.

The reasons for the improved growth in Ontario's manufacturing may be largely related to the lower exchange rate of the Canadian dollar. This has not only helped the province's competitive position in export markets, but also has encouraged production for the domestic market as a result of higher-priced foreign imports. An improved business climate, resulting from the absence of wage and price controls, more positive government support, as well as higher prices received for many commodities, have, in addition, been contributing factors.

Among those industries which have significantly contributed to manufacturing growth are the wood and primary metal industries, particularly steel in the latter case. Other strong performers have been the knitting, clothing, auto assembly and machinery industries. The slow-growth areas in this economic sector, on the other hand, have been the tobacco and leather industries. Thus far in 1979, manufacturing growth has been able to maintain its relative strength in the economy despite the economic downturn in the U.S. Weaknesses are beginning to show, however, particularly in the automobile industry. If the U.S.

recession continues for any length of time, other sectors will be affected and manufacturing growth will stagnate. Some current strong sectors are in the aerospace, paper and allied, machinery and food and beverage industries.

Construction

Conditions in the construction industry have been very poor in the province since 1972, primarily as a result of the relatively low levels of growth in capital expenditures. Residential construction, which has been strong through much of the seventies, is currently showing a shift in trend with housing starts down in both 1978 and 1979. Non-residential construction, for its part, has been in a fairly extended weak performance since 1976, although prospects, depending on the interest rates, may be better. Construction of an engineering nature, such as for utilities and infrastructure, has been reasonably good lately and its growth is expected to remain relatively stable. The overall construction outlook is for only modest growth during 1979, although this is an improvement after the last two years of absolute decline.

Transportation, Communications and Other Utilities

This economic sector continues to be a high growth area in the Ontario economy. In 1978, provincial R.D.P. for utilities was estimated at 6.4 per cent and for the transportation and communications industries at 4.5 per cent. Prospects look bright for this sector as capital investment in 1979 is expected by Statistics Canada to grow by 14.4 per cent - a significant increase considering that it follows a 21 per cent increase in the previous year. Of the three industries, utilities has been showing the strongest performance, followed by transportation and, as a distant third, the communications industry.

Retail Trade

Over the past decade, Ontario's share of retail sales has declined slightly. At present, the province accounts for 36.5 per cent of national sales. Consumer spending, which was off in the fourth quarter of 1978, grew by only 2 to 3 per cent in real terms last year. The re-institution of the full 7 per cent provincial sales tax in October had some dampening effects. Prospects for the present year suggest another modest performance of approximately 3 per cent as a result of continued high inflation and the continuing squeeze on personal disposable income. The U.S. recession is not expected to have a dampening impact on consumer spending during the present year. Types of businesses that are currently performing above average are those of the semi-durable variety, such as clothing and household furniture.

Finance, Insurance and Real Estate

Provincial real domestic growth in this sector has been estimated at 4.5 and 4.2 per cent for 1978 and 1979 respectively. Of the three components, insurance appears to be the strongest with finance and real estate having slow years. In these latter cases, this can be largely attributed to the low level of capital investment in both the Ontario and Canadian economies. The relatively moderate level of consumer demand experienced recently has also had an impact.

Community, Business and Personal Services

Ontario's share of this industry, on a national basis, has declined marginally since 1975 to its present level of 41.4 per cent. This is of significance since this industrial sector accounts for approximately 20 per cent of the province's economy. Provincial rates of growth in R.D.P. are estimated at 3.8 and 2.5 per cent for 1978 and 1979 respectively.

One factor affecting this sector's growth has been restricted government spending in health, education and community services as part of the provincial government's restraint policy. In the education field, the maturation of the 'baby boom' generation, declining birth rates and school board budget ceilings have further restricted expansion. Tourism has been affected by a failure to provide up-to-date and attractive service facilities, although the recent decline in the value of the Canadian dollar is helping to offset this negative factor.

Public Administration

The two senior levels of government, and most local governments, have embarked on programs of restraint in public sector growth and employment in order to combat inflation. Consequently, public sector employment and expenditure growth have been slowing, and will continue to slow from that experienced in the first five years of the seventies.

Based on R.D.P., this sector's current share of the provincial economy is 6.4 per cent. Its relative share, however, is expected to decline further as a result of the absolute decline being experienced in the current and past year. The negative growth has been significantly affected by the recent expenditure and employment cutbacks by the federal government and the continuing, albeit reduced, program of government decentralization of services out of the Ottawa area.

2.3.6 Sub-Provincial Circumstances

Eastern Ontario

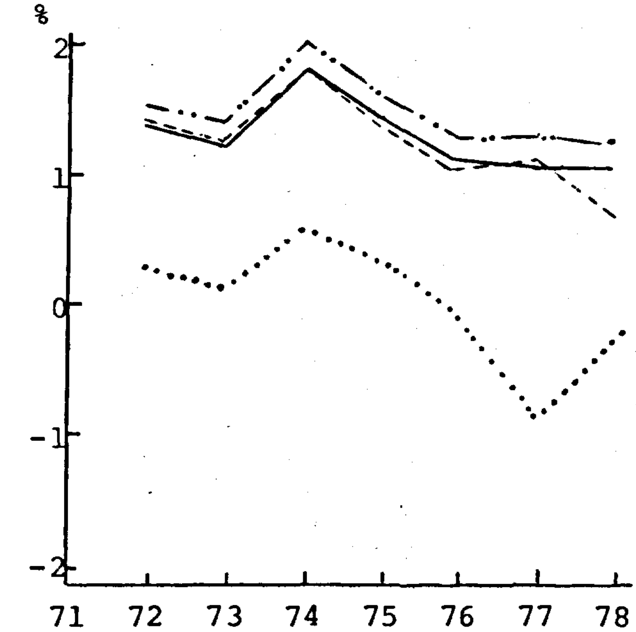
Following a year of moderate recovery in output during 1976, the eastern Ontario economy lapsed into a period of slow growth during the next two years. As a sub-regional component of the provincial economy, it has been tending to lag provincial development more and more (Figure 12). The key public administration sector, which accounts for approximately 25 per cent of employment in the region, has had a major dampening effect on economic performance. The public sector's cutbacks in hiring, in addition to the federal government's decentralization policy, have created a significant no-growth area in the local economy. While performances in other sectors, such as manufacturing, trade and finance, insurance and real estate, have been fairly good recently, they have not been strong enough to pick up the slack left by the public administration sector; the service industry has been directly affected in a negative fashion in its performance. The end result has been a constantly increasing unemployment rate in the region with the figures being 7.8 and 8.5 per cent for 1977 and 1978 respectively. According to Figure 12.2, eastern Ontario currently has the highest sub-regional unemployment in the province.

In the goods-producing sector, dairy and livestock farming have performed well due to price increases. Farm incomes have stabilized as a result of the significant degree of farm rationalization in the area. A switch to other types of farming, particularly the move into hybrid corn, has been a recent trend as a result of the limitations on dairy farming imposed by the milk quota system. Crop farming, particularly specialty crops such as vegetables, suffered in 1978 due to the drought conditions on the northeast shore of Lake Ontario. The wood industry had a reasonably good year in the Renfrew area, although this sector continues to decline throughout the region as a result of the increasingly poor quality of the forests and the lack of sufficient forest management in the past. The manufacturing sector, whose performance reflects provincial trends, albeit in a somewhat exaggerated fashion, (Figure 12.3), has performed well in the past year. Led by good performances in the food and beverage, pulp and paper and textile industries, the sector appeared to be benefiting from the lower value of the Canadian dollar and the strong tariff protections provided for clothing and textile commodities. The electrical industry, which has been declining for some time, appears to be shifting into new areas of operation in the computer and telecommunications field. A notable new activity which has come into prominence in the last couple of years, particularly along the Lake Ontario shore, has been marine-related industries which are primarily related to the building and repair of pleasure craft.

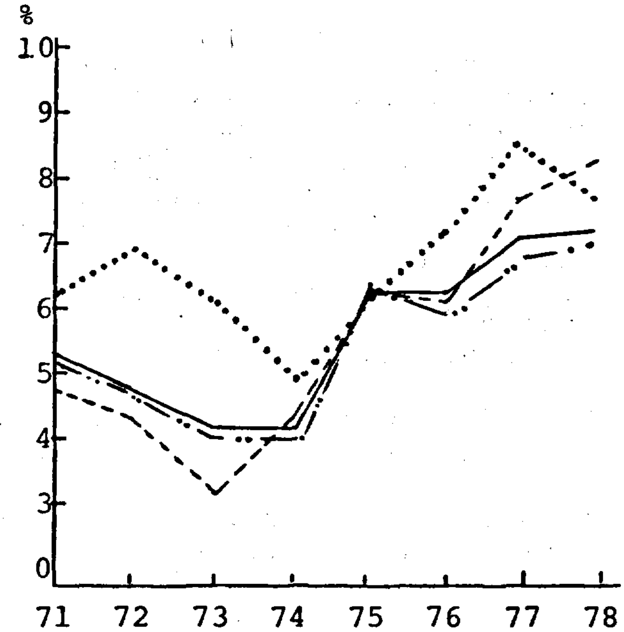
Figure 12

SUB-PROVINCIAL INDICATORS

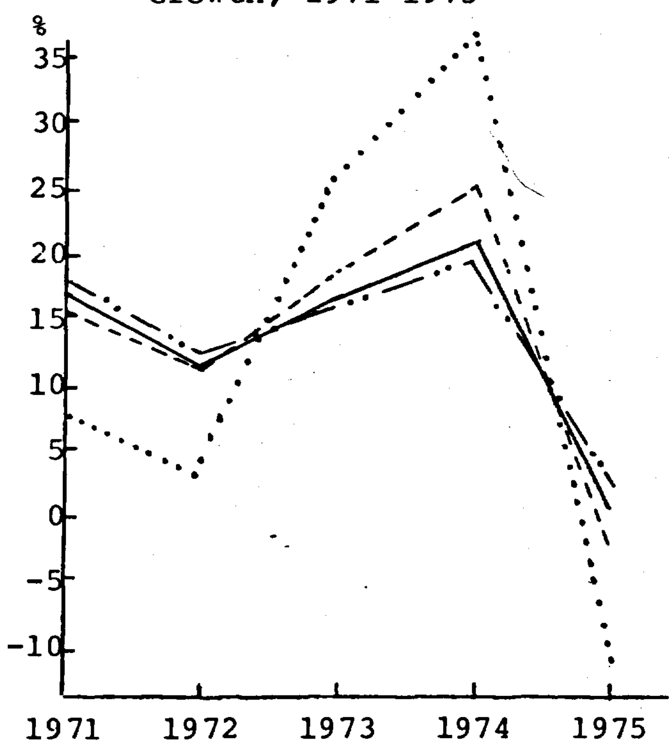
12.1. Population Growth, 1972-1978



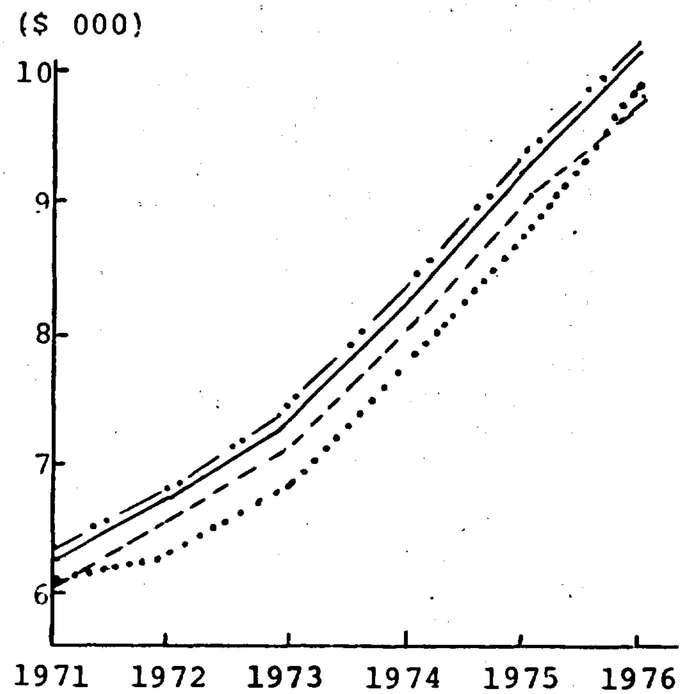
12.2. Unemployment Rates, 1971-1978



12.3. Manufacturing Value-Added Growth, 1971-1975



12.4. Annual Income Per Taxfiler, 1971-1976



——————— Ontario
-------- Eastern
.... Northern
..—..— Southern

On a spatial basis, economic performance is varied. In the eastern portion of the region, the city of Ottawa in particular, is experiencing some difficult times adjusting to the decentralization of civil service jobs out of the area. This has had implications for the city's retail trade, service industries and commercial office building development and rental. Outside the city proper, however, economic activity is performing at an acceptable level. Other areas of difficulty may be associated with a large arc of high double-digit unemployment and declining opportunity which straddles Highway 7 in the west, sweeps down through Smiths Falls and incorporates parts of Brockville and then splits to Cornwall in the east and Gananoque in the west. In contrast, the communities of Kingston and Belleville appear to be performing well.

The outlook for the region is not overly bright. The present difficulties associated with stagnant growth in the public administration sector are not expected to improve substantially. One major proposed development in this sector, the move of OHIP to the Kingston area, is constantly being delayed by the provincial government. Nevertheless, other planned public sector investment over the next few years is sizeable and should ensure some modest growth. The manufacturing sector, while currently performing fairly well under favourable market conditions, is actually masking a very antiquated and technically deficient industrial structure which is generally uncompetitive, particularly in regard to foreign manufacturers. However, protection for comparatively weak industries such as textiles and clothing, which are represented in eastern Ontario, will be maintained or reduced only marginally as a result of the GATT negotiations. The outlook for agriculture is somewhat encouraging, especially for the dairy industry now that important new concessions have been won for the export of cheddar cheese in the Tokyo round of the GATT negotiations. The forestry sector, which has potential, is being continually neglected and run down. On a spatial basis, prospects look best for the Ottawa-Carleton area and the major communities of Kingston and Cornwall. It is generally the smaller communities and the rural areas that have the bleakest prospects. The outlook for the region as a whole, therefore, is for continued slow growth, retarded structural development and a high degree of economic vulnerability.

Northern Ontario

Northern Ontario's economic activity has been improving recently and its short-term prospects appear good into the middle of 1980. The unemployment rate actually declined in this sub-region during 1978, contrary to trends elsewhere in the province (Figure 12.2). On a sectoral basis, there has been good performance in the pulp and paper industry as a result of the lower exchange value of the Canadian dollar. Lumbering has also had a good year, with strong demand being maintained in the U.S. market. The mining sector has also recently been picking up due to the improved prices of copper, zinc, gold, silver and lead. The overall performance in this sector has been dampened though by the eight-month INCO strike in Sudbury which overlapped well into 1979. With the recent settlement of this strike, the performance of the mining sector is expected to improve on the short run. Manufacturing has been performing well with the industrial centres of Thunder Bay, North Bay and Sault Ste. Marie all supporting growing industries with good long-term contracts. The tourism and construction industries, on the other hand, have been experiencing relative stagnation with little prospects for change and, on an overall basis, out-migration from the area has been continuing (Figure 12.1).

On a spatial basis, circumstances are currently much worse in northeastern Ontario. Unemployment has been running significantly higher in this area due to the relative concentration of mining activity. The low prices for many minerals during the 1976-78 period and the Sudbury nickel strike have combined to depress economic conditions. The northwest, on the other hand, which is dominated by the strong performing wood-related industries, is currently registering full employment levels. Locations in the northwest with particularly good performances include the Red Lake area, as a result of resurgent gold mining, and the Thunder Bay area, which is responding to a strong demand in the transportation equipment and pulp and paper industries, as well as having a growing transshipment function. In the northeast, the best performing locations are Elliot Lake, as a result of uranium developments; Timmins, because of zinc and copper; Sault Ste. Marie, supported by the steel and forest products industries; and North Bay, resulting from its strong manufacturing base. Contrasting with these mainly urban areas are the small community trouble spots throughout the north. These include in the northeast: the mining areas of Kirkland Lake and Tri-town, and the farming and tourist areas of Manitoulin Island. In addition, the city of Sudbury is experiencing difficulties in the aftermath of the aforementioned INCO strike. In the northwest, the closing iron ore mines of Atikokan are creating a new concern together with the existing long-term problem area associated with the tourist industry surrounding the Lake of the Woods.

Growth through the present year and into 1980 should continue to show strength, although the effect of the recession in the U.S. as a result of increasing oil prices will affect the demand for the region's resource exports. Beyond 1980, prospects for the north are not optimistic. The mining of iron ore is expected to decline significantly with mines closing at Atikokan and Moose Mountain near Sudbury. The impending loss of 400 jobs in the uranium mine at Agnew Lake will also create additional hardships. Increased competition will also be a factor. The recent rich uranium discoveries in Saskatchewan and elsewhere in the world are affecting commodity prices and jeopardizing the large-scale developments at Elliot Lake. Nickel mining, based primarily in Sudbury, is also experiencing substantial international competition. The remaining minerals, however, should enjoy a strong demand in the future and should fare well while reserves last. In regard to the forest industry, despite some benefits from the GATT negotiations, the outlook is clouded by a possible rise in the value of the Canadian dollar, new paper capacity coming on stream south of the border and the present recession in the U.S. The public sector's efforts to modernize the industry and improve forest management, however, should help to see it through some impending difficult times. The best outlook is reserved for the communities of Thunder Bay, Sault Ste. Marie and North Bay which are successfully stabilizing their economic bases with manufacturing-related activity. Notwithstanding these bright spots, however, the northern region, collectively, will be lucky over the medium term to maintain or moderately improve the level of employment performance it attained during the early seventies.

Southern Ontario

Southern Ontario has continued to lead the province during the latter's modest growth since 1975. Figure 12, for instance, shows above-average population increase and income earnings. While initially the sub-regional growth was supported by strong consumer demand for manufactured goods, more recently strong export growth has displaced this factor as the main driving force behind the region's economic performance. Of particular strength in 1978 was the transportation equipment, notably auto assembly, steel and machinery industries. Further sources of strength during 1978 have been southwestern Ontario agriculture and the finance, insurance and real estate sector, which is extensively located in the Metro Toronto area. Slow growth in the construction, public administration, trade and service sectors restrained overall regional output growth, however, to less than 4 per cent.

Within southern Ontario, certain areas are doing better than others and prospects vary. The recent slowdowns in the auto industry during the second and third quarters of 1979 have created significant problems of unemployment in the Windsor area. These difficulties could be substantially aggravated if the Chrysler Corporation in the U.S. fails, since most of their Canadian manufacturing is in this area. It is estimated that as much as a quarter of Windsor's workforce would be affected. Recent announcements, on the other hand, concerning a new motor manufacturing plant by the Ford Motor Company and the expanded transmission facility to be constructed by G.M., have created some offsetting hope for the future of the Windsor area. Elsewhere, development has been limited in the Georgian Bay area and in Peterborough due to plant closures and difficulties in attracting new industries. Prospects, however, are looking brighter for the Peterborough area with the decision by General Electric to construct locally a new nuclear fuel processing facility. The corridor running between Peterborough and Oshawa also has witnessed substantial industrial growth recently and has good prospects. In the Toronto-centred region, efforts to move development eastwards are expected to have some impact on the future of Oshawa. The provincial Ministry of Revenue is expected to move its operations to this location in the foreseeable future. Toronto's financial and administrative functions are flourishing, and have been augmented by a number of recent moves of head office operations from the Province of Quebec. The future expansion and growth of the Nanticoke area on the north shore of Lake Erie also looks bright with development proceding somewhat slower than anticipated, but nonetheless at an impressive rate. Within the Niagara sub-region, critical land-use decisions relative to the area's specialized fruit-growing capability are pending at present.

The outlook for southern Ontario appears to be only moderately good. While the region seemed, at one time, to be heading into a minor boom in the early eighties, this expectation has been somewhat modified due to the recent substantial increase in the international price of oil and the impact it is having on the U.S. economy. A drop in foreign demand is now a distinct possibility. Nevertheless, if Canada can maintain its competitive position in export markets, which will be increasingly necessary following completion of the GATT negotiations, some growth will still be attainable. In this regard, the continuation of the lower exchange value for the Canadian dollar and the trend to lower unit labour costs will be critical factors. The transportation equipment industry, in particular, appears to have an impressive future. Aside from the Chrysler problems, many major new facilities are being constructed in the auto industry and the future for the aviation industry is excellent, given the recent and pending large defence contracts. Southern Ontario's highly competitive and technically advanced steel industry will be another source of strength and possibly a catalyst for development of some other related heavy industries. Due to recent additions to capacity by the Sarnia chemical industry, opportunities also exist in the plastics industry. While there is a good deal of optimism for the immediate future, the lack of research and development activity remains a major concern. Without the development of this capability, southern Ontario will not be able to move into more sophisticated types of manufacturing nor control its own level of development.

2.4 Medium-Term Prospects

The outlook for the Ontario economy over the next five to eight years contains a mixture of bright spots, on-going problem areas and nagging uncertainties. The province will have to maximize its opportunities in order to survive the next decade with any semblance of meaningful economic growth and maintenance of its relative economic position domestically and internationally.

Real domestic growth in the present year will approximate the 3 per cent level experienced during 1977 and 1978. In the early eighties, however, it was expected that this level of growth could conceivably rise to the 5 to 5.5 per cent range, although this forecast must be modified in view of the rising energy costs that will be facing the Canadian and U.S. economies as a result of the latest OPEC meeting in June. Growth for the mid-eighties is currently projected for the 4 to 5 per cent range. Major stimulus is expected in manufacturing from the transportation equipment, non-metallic mineral, chemical, rubber and petroleum products industries. Other industrial sectors that will help to speed growth in the economy are the communications, utilities and construction industries.

By the end of 1987, the labour force in Ontario is expected to surpass the 5 million mark, based on an overall population of approximately 9.5 million. Labour force growth will be stimulated initially by the continuing integration of the 'baby boom' generation in the work force and later by the growing number of females looking for full-time employment. Annual growth in the labour force is expected to decline over the period from 2.7 per cent to 1.7 per cent. Employment, for its part, is expected to reach the 4.75 million mark, with growth in 1979 being about 2 per cent, climbing towards the 3 per cent level by 1982 and thereafter declining to around the 2 per cent level by 1987.

These varying labour-market growth rates suggest continuing high unemployment in the province: above 7 per cent throughout 1979-1981. By 1982, this unemployment should start to fall, although its decline will be impeded by increasing female participation resulting from new job opportunities associated with the improving economic performance expected at that time.

Participation rates for women should rise from 51.5 per cent in 1978 to approximately 58 per cent by 1987. Notwithstanding the foregoing, some stability in labour force growth should be evident by the late 1980s, allowing the unemployment rate to return to near full employment levels of 5 per cent.

On a spatial basis, the unemployment situation over the next several years in Hamilton, Ottawa and southwestern Ontario regions is expected to approximate the provincial rate. In the Metro Toronto area, it is anticipated that labour shortages could begin to occur by the mid-1980s in certain occupational groups as the local unemployment rate dips below the 4 per cent level. Conversely, unemployment will continue to be a relatively serious problem even beyond the mid-1980s in a wide band stretching from Owen Sound-Orangeville, through Barrie-Orillia, to Peterborough-Lindsay. The labour force in these areas will continue to expand at a rapid rate as a result of the population trend to move out of the immediate vicinity of the major urban centres of southern Ontario. While a large number of these new workers will commute to Metro Toronto periphery areas such as Oakville, Brampton, Newmarket and Oshawa for employment (providing energy costs do not become excessive), many others seeking employment locally will be unable to find jobs. The outlook for northern Ontario for the medium term is one of varied labour demand, which in some areas will mean a certain amount of in-migration for the area. This latter movement, however, will depend on occupational demand and will vary according to the types of jobs available. In some localities, and for some occupational groups, out-migration will still be a factor.

With regard to manpower requirements, analysis suggests that there will be significant shortages in the managerial and professional occupations, particularly in the Metro Toronto and Ottawa regions, by the mid-1980s. Other occupational groups anticipating shortfalls are clerical and related, service, forestry and logging. In addition, the supply of construction labour may become a problem in northern Ontario. Serious labour oversupply problems are expected in sales, farm related, product fabricating, assembling and repair and teaching occupations.

Problems and uncertainties facing the Ontario economy, which have implications on the durability of the foregoing analysis, are diverse and worrisome. Inflation, due largely to ever-increasing energy costs, is not expected to fall much below 8 per cent over the next decade. The degree of impact from the GATT negotiations on the future structure of Ontario's goods-producing sector, along with the associated question of whether full advantage of the related opportunities can be attained, are major concerns. The future political developments in Quebec, changes in the currency exchange rates and the productivity of the province's labour and capital are additional unknown factors. Nevertheless, the relative economic role and position of the province within the nation will probably remain one of the key issues for Ontario and Canada. This is particularly so if the economic returns from the resource developments generated elsewhere in the country are going to be used to expand and strengthen the high-technology industries needed to provide Canada with a stable and prosperous future.

3. DEVELOPMENT PROBLEMS AND ISSUES

3.1 International Competitiveness of Ontario's Industry

Ontario is the major industrial province in the country, producing some 50 per cent of Canada's manufactured goods as has already been shown in Figure 3. Consequently, increasing competition from Third World countries in such labour-intensive industries as textiles and electrical products and from the U.S. and other nations in resource-processing industries presents cause for concern. Ontario firms have had difficulty competing with the lower labour and production costs of Third World countries. In addition, an abundance of foreign-owned "branch plants" characterized by broad but short production runs and limited economies of scale has contributed to increased costs, reduced productivity, limited export potential and insufficent research and development activity. The branch plant status of much of Ontario's automotive industry, for example, has been a major factor in the imbalance of assembly and auto parts activity, the increasing deficit in parts production and the limited research, design and development activity undertaken in Canada; the result has been a continuing deficit since 1973 in the automotive trade balance with the U.S. Beyond the manufacturing sector, tourism - Ontario's second largest industry - has experienced a major increase in the travel deficit with the U.S. resulting from a lack of competitiveness in terms of cost, quality and diversity of facilities and attractions. Major capital investments are now required to ensure the long-term viability and competitiveness of Ontario's industry while the lower exchange value of the Canadian dollar still provides a competitive edge. However, private sector investment in the province may not increase as rapidly as would be hoped unless inflation and high interest rates moderate. Moreover, the danger of rising labour costs could reduce competitive gains resulting from the devalued dollar.

Increasing international competition and the impact of reduced tariff and non-tariff barriers resulting from the GATT negotiations underly the need for a competitive industrial structure. While reduced tariff barriers could present significant new export opportunities, adjustment efforts may be necessary to enable Ontario's industry to meet such opportunities. As the extent of any negative impact of reduced tariffs is as yet unclear, continued monitoring of the situation by government is warranted in order to determine whether any public sector involvement will be required to offset any serious inequities which might arise.

3.2 Demographic and Labour Problems

The age-sex composition of Ontario's labour force has changed dramatically over the past decade as a result of the maturing of the postwar baby boom generation and the increasing participation of women in the work force. These trends were previously illustrated in Figures 9 and 10. Such trends hold major implications for levels of unemployment, housing, the educational system - particularly at the university level - and for changing consumption patterns. The maturing of the baby boom generation and the trend to more two-income households with fewer children will, for example, have a major impact on the demand for travel and leisure activities, household furnishings and a wide range of services and other consumer needs. Given Ontario's traditional reliance on immigration as a source of skilled labour, recent declining levels of immigration to the province will affect not only the rate of population growth but also the supply of skilled labour; specific occupational labour shortages could serve to reduce economic growth. In the Windsor area, for example, insufficient skilled labour has resulted in automotive companies seeking employees from Britain, a situation which could reduce employment gains for the local area.

3.3 Energy

Ontario's lack of indigenous energy resources leaves its economic base vulnerable to supplies from external sources. At present, Ontario's energy consumption approaches 40 per cent of the Canadian total with the industrial sector accounting for some 45 per cent of total energy consumption in the province. Consequently, the future growth of Ontario's industry and its economy generally will be dependent on the availability and cost of energy supplies from western Canada. High energy costs will counteract some of the traditional comparative advantages of Ontario's industry and will have a major impact on future development patterns. In recent years, for example, there has been a significant shift towards development in the west with some comparative advantages in certain sectors being lost by central Canada. The impact on domestic prices of major increases in crude oil prices by the OPEC countries combined with likely further OPEC increases and future moves by the federal government to raise domestic prices towards world levels, mean that the difficult energy problems facing the Ontario economy are intensifying. The provincial government maintains that surplus revenues accruing from domestic oil price increases should be redistributed into job creation, energy conservation programs and the development of alternative energy sources for the benefit of all Canadians. The intensifying energy issue holds major implications for Ontario's present and future energy policies, particularly its commitment to nuclear energy. The Ontario government, for example, recently announced a major commitment of some $2 billion for additional electrical power through hydraulic generation, in an effort to increase the share of the province's energy needs met by renewable resources.

Ontario has placed considerable faith in the prospects for nuclear power as an alternative energy source to western oil and gas. However, Ontario Hydro's current and long-run energy policy - particularly its commitment to nuclear energy, its costs and safety - has come under close scrutiny over the past year. The report in 1978 of the Royal Commission on Electric Power Planning called for a scaling down of Ontario Hydro's nuclear and non-nuclear power development due to a slowdown in the growth of electricity demands. In addition, the commission proposed a moratorium on additional nuclear power plants if no proven waste-disposal technology were available by 1985. Ontario Hydro, in order to bring its expansion program in line with reduced power demand forecasts, announced a slowdown in construction of three plants and postponed further development of a fourth. Rising concern regarding nuclear safety and waste-disposal methods could have significant implications for nuclear development including a slowdown of uranium exploration, more stringent regulation of nuclear plants and a difficult future for the province's nuclear industry. There is already a growing fear within the nuclear industry, strongly represented in Ontario, that the future of Canada's nuclear export business may be in jeopardy given major contract losses in Argentina and, apparently, in Japan.

3.4 Natural Resources

Increasing competition from Third World countries as well as the United States is threatening some segments of Ontario's mineral industry. Of particular concern is the iron ore industry whose relatively small-scale nature combined with the high costs of transportation and new infrastructure has made it difficult for the Ontario industry to remain competitive. The result has been a reversal for the province from exporter to importer of large volumes of ore pellets from the U.S. The recent closure of three iron ore mines with a fourth projected for 1980 will result in the loss of some 1 500 jobs, reduced tax revenues and a negative impact on the balance of payments. Despite substantial high-quality ore reserves, there appears little likelihood of new developments before the mid-1980s in the iron extraction industry. Moreover, the financial burdens imposed by government taxation policies, environmental regulations and health and safety requirements are felt to have reduced the profitability of new and existing mining developments.

Despite Ontario's extensive forest resource, inadequate forest regeneration and management are creating a situation of threatened wood supply in the province. Without major improvements in forest management, a possible wood shortage could result within two decades thus jeopardizing Ontario's export opportunities and market share as well as the economies of the many single-industry communities of northern Ontario dependent on the resource. An associated concern is the growing competition for the province's forest products industry from countries such as Brazil and the United States. High wood costs combined with a longer growth cycle are making it increasingly difficult for the Ontario industry to remain competitive with such suppliers. In fact, the U.S. industry is now meeting a greater amount of its domestic demand at the expense of traditional Canadian suppliers and, in addition, has new capacity coming on stream. Full advantage must be taken of the industry's current profit situation in order to ensure its long-term competitiveness.

The continuing loss of improved farmland has major implications for Ontario's agricultural sector, for future food production and for land use policy. As Ontario's agriculture is oriented towards livestock, poultry and dairy farming with some 70 per cent of the province's improved farmland used for feedgrain production, less land for this purpose could result in increased imports of the required feed commodities, or cutbacks in livestock farming. The loss of prime agricultural land in southern Ontario due to increasing urbanization is of particular concern in the province's unique Niagara fruitgrowing area where significant acreage has been bought by developers. Moreover, the Niagara Regional Council has applied to the Ontario Municipal Board (OMB) for some 1 619 hectares of private fruitland to be included within its urban boundaries. At the present time, provincial government policy guidelines for agricultural land use have been criticized as ineffective. Consequently, the OMB decision, insomuch as it may set a precedent, could well determine the future of much of the province's prime farmland.

3.5 Transportation Concerns

Increasing urbanization within southern Ontario has generated a pressing need for improved accessibility between major urban centres, particularly along the Highway 401 corridor. Moreover, rising energy prices and the increasing costs of domestic air travel have created pressure for a new approach to intercity air transportation. Studies have been carried out with regard to the development of the Toronto Island Airport for short take-off and landing (STOL) service between Toronto, Ottawa and Montreal. The development of such a service, it was felt, would help to relieve peak-hour congestion at the Toronto International Airport while providing a prime opportunity to utilize the Canadian technology developed in the Dash-7 aircraft. Despite Ontario government support for such a service, strong opposition on Toronto City Council has left the question unresolved. Associated with the need for improved intercity air travel is the controversial issue of a major airport at Pickering and/or an additional terminal and runway at Malton to meet projected air travel demand.

There has been continuing concern regarding federal government plans to increase St. Lawrence Seaway tolls on cargoes by 50 per cent over 1979-80. Critics claim that the 50 per cent increase introduced in 1978 leaned heavily on bulk cargoes, the majority of which originate in Canada, while being less, relative to the higher value tonnage of general cargoe which, to a large extent, originates offshore. The Ontario government fears that the Great Lakes ports could face reduced revenues due to diverted traffic. Also regarding the seaway is the need for improvements to increase the capacity of the Welland Canal, generally regarded as the bottleneck of the seaway system; the canal's limit is expected to be reached around 1986.

3.6 Environmental Concerns

There has been a growing emphasis on both the need for conservation of the province's natural resources, including restrained use of fossil fuels and hydro-electric power, and the need for improved air and water resource management. Of particular concern is the acid rain observed within Ontario and the resulting threat to recreational lakes and the tourism loss which could materialize. Moreover, while there is agreement that considerable progress has been made under the Great Lakes pollution control program implemented by the U.S. and Canada about six years ago, new toxic substances identified in the lower lakes may pose an even greater threat than those upon which attention has been focussed to date.

Despite the admitted need for major conservation and pollution abatement efforts, there is concern as to the impact which increasing environmental protection may have upon resource and industrial development. Both the provincial and federal governments, for example, have instituted measures designed to reduce air and water pollution by requiring increased use of environmental safeguards. Pollution abatement requirements, however, entail additional costs for industry and, consequently, for the consumer, and can create competition for investment funds between new or expanded plant facilities and environmental safeguards. Moreover, delay created by such mechanisms as the Ontario Environmental Assessment Board can result in increased project costs. For example, the time involved in meeting environmental review requirements contributed to Eldorado Nuclear increasing its cost estimates of a proposed uranium refinery by some 20 per cent.

3.7 Changing Settlement Patterns

Subsequent to the rapid urbanization in southern Ontario over the past two decades, a significant new trend in population settlement is now emerging. A number of large urban centres have recently stopped growing and, in cases such as Metro Toronto, Hamilton-Wentworth and Windsor, recent population declines have been registered. Expanded business and commercial development in the suburbs is generating a trend towards increased commuting to work in the suburbs from residences beyond the urban boundaries. Such changing settlement patterns may create financial burdens not only for the urban centres which must maintain existing community infrastructure and services but also for the area beyond the urban boundaries where the increasing population is demanding new services. If these trends continue, despite increasing gas prices, they will generate increased demand for agricultural land and create a new urgency for improved land-use planning within southern Ontario.

3.8 Sub-Provincial Disparities

While Ontario has traditionally been considered one of the more prosperous provinces, significant economic disparities exist at the sub-provincial level, particularly in the northern and eastern regions. In Figure 12, these disparities are illustrated on the basis of selected economic indicators. Northern Ontario, largely dependent on a resource-based economy, is characterized by circumstances such as cyclically influenced employment, high out-migration, a general lower quality of life than in the south, and many economically unstable single-industry communities. Moreover, the substantial native population in the north has comparatively limited opportunity to participate in the economic development of the region. The economy of eastern Ontario, largely dependent on the public administration sector, has been constrained by federal government restraint and decentralization measures. Its manufacturing sector is characterized by comparatively antiquated, smaller-scale and lower-productivity plants as well as a large proportion of labour-intensive, import-vulnerable industries.

4. FEDERAL AND PROVINCIAL INSTRUMENTS

The following chapter discusses key government priorities and instruments relating to development in Ontario. The province's self-sustaining growth traditionally has maintained government intervention in the economy (particularly by the provincial government) at a relatively low level of activity. However, changing economic circumstances, the greater vulnerability of the Ontario economy to foreign competition and increased energy prices have encouraged a more active development stance by the province. Differences in performance between the sub-regions of the province have been of concern for several years and Ontario has continued to address this problem.

4.1 Government Development Priorities

The increasingly interventionist stance towards development by the Ontario government has been dictated largely by concern about the long-term performance of the province's manufacturing industry. The relative decline of manufacturing activity in the mid-seventies, the implications of tariff changes following the GATT negotiations, the need to capitalize on the low value of the dollar and the general question of industrial adjustment to the changing economic environment were issues of concern to Ontario in determining that a more direct approach to development would be necessary. Concern with the long-term needs of the forest industry and with encouraging new higher-technology industries are additional issues which both orders of government perceived to require more direct developmental assistance. Continuing sub-regional differences within the province has been an additional factor which has determined the need for government intervention.

Ontario continues to reaffirm its support for the reduction of regional disparities in Canada, but emphasizes that the underlying strength of the more prosperous regions not be weakened in the process. The province advocates effective regional development efforts aimed at stimulating self-sustaining growth, reinforcing local economic strengths and sectoral comparative advantages, and reinforcing private sector initiatives to ensure a strong market economy. In addition, the province further supports maintaining rigid fiscal restraint by the more effective allocation of existing funding, promoting "disentanglement" by reducing federal involvement in local and provincial affairs, and encouraging slow-growth areas to develop local resources and potential.

In the past decade, the Province of Ontario's approach to development was encompassed in a policy thrust known as Design for Development. The development policy focused upon a spatial distribution of growth to ensure efficient planning and servicing to accommodate the rapid development of the late 1960s and the 1970s. Also included were the development and expansion of transportation networks including urban transit and the restructuring of local government institutions to meet the projected planning and servicing needs.

Changing economic circumstances have necessitated greater interest by the province in attracting new growth to Ontario with lesser emphasis on directing new development to the slow-growth regions. While the province remains committed to reducing socio-economic disparities in the regions of Ontario, the difficult economic conditions of recent years have generated greater emphasis on ensuring the longer-term health of the overall provincial economy. Thus, the Ontario government has emphasized private sector initiative and investment as the vehicle of growth and development of the manufacturing sector as the key to the industrial health of the province and a major basis for Ontario's contribution to the national economy. It has moved from a policy of universal program application to more aggressively promoting and assisting industry on a highly selective basis.

4.2 Provincial Instruments

Some of the key elements in the province's new policy for industrial development include:

(a) preference for Canadian goods and services through public procurement;

(b) active development and promotion of the Shop Canadian Program to promote Canadian-made goods;

(c) adjustment assistance to preserve and increase the strength of traditional industries (like pulp and paper) and to manufacturing industries with potential, but which face technological or competitive changes arising from industrial adjustment and GATT, in particular;

(d) an active program to take advantage of export opportunities, particularly potential new markets arising from GATT;

(e) the provision of direct investment incentives to meet competition for major capital and high-technology investment projects; and

(f) the encouragement of global product mandating by multinational firms in Ontario.

In order to implement the strategies for development, the provincial government has introduced a major new $200 million Employment Development Fund to be managed by a Committee of Ministers (the Employment Development Board). The mandate of the board is to encourage projects that:

(a) make a long-term contribution to employment;

(b) foster the development of needed job skills;

(c) have the potential for significant export development or import replacement;

(d) involve the development of new products and processes through Canadian-based innovation; and

(e) stimulate key industries and regional development.

In addition, the Ministry of Industry and Tourism has been restructured and revamped to undertake the administrative functions of the fund and to continue and develop programs of the Ontario Development Corporation. The latter makes available direct loans up to a maximum of $250 000 (except support loans) to private companies when financing at a reasonable cost is not available from other sources.

The Ontario government has introduced the use of a Regional Priority Budget as a funding mechanism for development initiatives which have a potential regional impact; it is through this mechanism that various development proposals are priorized. This is operated by the ministries of Treasury and Economics, and Northern Affairs.

By concentrating on strategic and policy-oriented activities, the Ministry of Treasury and Economics has been able to bring a coordinating influence to regional development, and through financial control is able to influence the thrust and priorities of development in the province in general. The establishment of the Ministry of Northern Affairs in 1977 was an additional indicator of Ontario's concern to alleviate regional disparities. This is a "horizontal ministry" with an important function of coordinating and improving the delivery of provincial programs to northern Ontario and of designing new programs for the north. The ministries of Natural Resources and Agriculture and Food, while not being primarily concerned with regional development, are important provincial ministries in assisting with the development of primary resources.

4.3 Federal Instruments

Numerous federal government programs relevant to social and economic development in Ontario exist, but those of DREE, Industry Trade and Commerce (IT&C) and the Canada Employment and Immigration Commission (CEIC) are of particular interest within the context of this report.

Given the importance of Ontario's manufacturing industry, the programs of IT&C are important in responding to available opportunities and circumstances in the province. It is expected that the federal Economic Development Program, announced in September 1978, will have a substantial impact on industrial development in Ontario. Increases in industrial adjustment support, which may be required as a result of increasing international competition, could be partly accommodated through the Enterprise Development Program of IT&C. The precise nature of this program, and the priorities to be given to different components, have been discussed with Ontario and take into account the new industrial policies of the provincial government. Additional benefits through the Export Development Corporation would also accrue to Ontario industry which produces more than 80 per cent of Canada's exports of finished manufactured goods.

It appears that a lesser proportion of Ontario industry was supported by IT&C program funding compared with levels of support in other provinces. Over the five-year period, 1973-74 through 1977-78, Ontario received about 31 per cent of total IT&C program allocations, while accounting for 52 per cent of total manufacturing activity and 36 per cent of the population.

CEIC plays a major policy and administrative role in facilitating the operation of labour markets in Canada, providing income maintenance to people who are temporarily unable to find work, and processing the admission of immigrants and visitors to Canada. CEIC operates a network of employment centres and immigration centres across Canada and a number of immigration posts abroad. Helping workers find suitable jobs and employers find suitable workers is the primary aim of measures such as counselling, referral services, training and mobility assistance.

The private sector provides the majority of jobs in Canada and the commission is giving increasing emphasis to supporting and stimulating private sector development by helping employers train and employ people. Providing incentives for the creation of new jobs by means of employment tax credits and expanding the scale and scope of support to industrial training are two examples of initiatives which support the private sector.[1]

A major feature of the current high unemployment rates is the disparity among different areas of the country and different groups of people. As a result, CEIC has developed a capacity for targeting on specific areas, groups and time periods. Examples of measures which have been designed and implemented include the Local Employment Assistance Program, a variety of measures directed at helping youth (including summer students), and the development of action plans which involve the allocation of specific funds and other resources to promote the employment and employability of native peoples.

Increasing cooperation and coordination between federal departments and agencies, between different levels of government and between governments and the private sector is essential. Following the First Ministers' Conference on the Economy in November 1978, a consultative process for the joint federal-provincial consideration and study of fourteen fundamental labour market and employment issues was put into effect. Included was an in-depth review of the Unemployment Insurance Program and the potential for harmonizing it with other social security programs.

The new Immigration Act, with its statement of policy objectives and its wide-ranging provisions, has set the stage for an era in which responsiveness to domestic issues is the keynote. As industrial manpower adjustment plans are developed and related training programs are set in place, it will be possible to shift away from a major reliance on immigration as an instrument for meeting critical skill shortages. In view of the fact that immigration is a consultative process between the federal and provincial governments, close cooperation is essential in both policy formulation and program administration.

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[1] An example of the approach being taken in Ontario is the agreement between the Canadian Tooling Manufacturers Association (CTMA), the Ontario Ministry of Education and CEIC to initiate a pilot apprenticeship training program for machinists, tool and die makers and mould makers in accordance with provincial regulations for these trades.

DREE's involvement in social and economic development is mainly through the federal-provincial General Development Agreement, discussed in the next section. However, the department's Regional Development Incentives Act (RDIA) program has particular relevance to the need to assist manufacturing industry opportunities in the slow-growth areas of Ontario. In Ontario, the RDIA program is available to assist new or expanded manufacturing activities in northern Ontario (including the Parry Sound District) and in Renfrew-Pembroke. The remaining part of Ontario has not been designated under the program. From the inception of the program to the end of fiscal year 1978-79, offers of incentives totalled over $70 million involving capital outlays by the private sector of approximately $400 million. In terms of jobs created, the leading industries were wood, primary metal and clothing.

Other federal departments and agencies for which contribution to development activities within the province is of particular relevance to northern and primary sector activity include: Indian Affairs and Northern Development, Agriculture Canada, Energy Mines and Resources, Transport Canada, and Central Mortgage and Housing Corporation.

4.4 Federal-Provincial Instruments

The primary federal-provincial instrument for encouraging development is the Canada-Ontario General Development Agreement (GDA), which is administered on the federal side through DREE. Under the terms of this agreement, joint federal-provincial funding of mutually agreed upon development projects by means of subsidiary agreements is facilitated. DREE programs are primarily concerned with assisting in the realization of development opportunities in disadvantaged areas and, generally combatting socio-economic problems within these regions.

Since signing the 10-year GDA in 1974, DREE programs in Ontario have been modest in geographic application and level of expenditure with a cost-sharing ratio set at 50/50 between Canada and Ontario, reflecting the overall economic position of the province. The program was to have been within the framework of the provincial Design for Development program. The first agreements (including those for Cornwall, northwestern Ontario and Dryden) were project-specific and largely oriented to the provision of basic infrastructure. Since then, the nature of subsidiary agreements negotiated under the GDA has evolved towards thematic agreements such as the Single-Industry Resource Communities and the Community and Rural Resource Development agreements and, more recently, to sectoral agreements such as those for forest management, pulp and paper, and specific mineral developments. Future development initiatives are expected to continue in the trend towards increased emphasis on sectoral, resource-oriented initiatives in the northern and eastern regions.

However, because of deteriorating economic conditions, there have been increasing pressures for extended DREE assistance to Ontario. DREE has responded favourably by increasing the level of funding, by a limited expansion of the geographical area eligible for DREE programs and by diversifying into new sectoral and regional development programs. With the exception of the recently signed Pulp and Paper Industry Facilities Improvement Subsidiary Agreement, DREE has generally resisted the extension of programming into the central and southwestern parts of the province. However, given the general utility and flexibility of the GDA as a joint cost-sharing mechanism for development, combined with the increasing importance being assigned to sector approaches to growth, there could be increasing pressure to utilize the GDA mechanism for various development activities throughout the province, even though DREE may not be involved in a funding capacity.

In Ontario, the Minister of Treasury and Economics has been a signator of GDA subsidiary agreements, with the projects in northern Ontario being primarily the implementation responsibility of the Minister of Northern Affairs and other line ministries with direct responsibilities. In addition, the GDA has provided a coordinating mechanism for assistance from other federal agencies such as Transport Canada, Department of Indian Affairs and Northern Development, and Central Mortgage and Housing Corporation on specific development projects. Further consideration of new program type subsidiary agreements could serve to increase the importance of the GDA as a coordinating mechanism for both orders of government.

5. DEVELOPMENT OPPORTUNITIES

5.1 Ontario's Comparative Advantages

5.1.1. Location

Ontario, and in particular the southern portion, has historically enjoyed the benefits of a strategic location vis-à-vis other Canadian provinces. While centrally situated within Canada, Ontario is in close proximity to the large industrialized region of the northeastern United States. This gives the province the double advantage of large concentrated export markets as well as the opportunity to supply eastern and western Canada with manufactured goods. The development of the transportation network within Canada has in fact reflected and reinforced this situation. Furthermore, the central position offers good access to a variety of inputs which promote diversified manufacturing.

Access to the Great Lakes waterway has also encouraged development in the province. Originally, the system provided easy access to the prairies via the Lakehead and at the same time provided direct access to the Atlantic. Second, the province had the advantage of abundant supplies of fresh water for industrial and domestic use. Third, Ontario benefited from cheap hydro-electricity, in particular from Niagara Falls. Since the early years of Ontario's development, the relative importance of the Great Lakes waterway has been reduced. Nevertheless, the system continues to be a strong comparative advantage. It still provides domestic water and cheap transportation; the lakes continue to attract certain industries which require large amounts of water in their processes. In addition to natural hydro-electric power, nuclear generating stations, which use large amounts of water for cooling purposes, have begun to dot the shoreline.

Finally, as the second largest province in Canada, the size of Ontario offers a diversity of resources, climate and economic activities. Agriculturally, Ontario is able to produce a wide variety of products, ranging from tobacco and tender fruits in southwestern Ontario to beefalo and wild rice in the north and, therefore, is relatively more self-sufficient than the other provinces. Moreover, there are still large areas of unsettled land and unexploited opportunities which offer potential for further development.

5.1.2 Natural Resources

The availability of a number of significant natural resources in Ontario in the forestry, mineral, agricultural and recreational sectors offers an important and potentially long-term comparative advantage, not only within Canada, but in some instances in the world economy. Although Ontario's economy has become increasingly diversified from resource-based industry, it remains a significant contributor of raw materials. Its importance is reflected in its strong linkages with the rest of the provincial economy, particularly manufacturing.

Ontario's forest resource, the third largest in Canada, covers 570 000 square kilometres of land, largely in northern Ontario and to a lesser extent in eastern Ontario. Although the resource already supports a substantial wood products industry, there remains considerable potential for further exploitation. For example, Ontario accounted for only 14.7 per cent of Canada's production in 1977 while it has 21.1 per cent of the volume of productive, economically accessible and inventoried forests. Although there is considerable concern about management practices and regeneration, there may be room for expansion of activities. In eastern Ontario, for instance, there is some experimentation with fast growing, hybrid poplar farming. Futhermore, there is resource potential in the wood wastes being generated by industry. Companies are beginning to burn wastes produced in the plant, but wastes created during cutting operations are not yet being utilized. Other potential uses of the forest could be explored, e.g. as a source of energy or as a recreation resource. The key to more appropriate exploitation is the development of comprehensive management techniques; in fact, this will determine the extent to which Ontario's forest resource remains an advantage in the longer term.

Mineral endowments in Ontario also provide a considerable comparative advantage, particularly in the north. In 1978, Ontario was the second largest provincial mineral producer, in terms of value, in the country. Although Ontario is a major producer of a variety of minerals, the most significant ones are copper, gold, iron ore, nickel, silver, uranium and zinc. Ontario is, moreover, the largest producer of structural materials, such as cement, lime, clay products, sand and gravel.

Despite the fact that the industry is somewhat volatile, the existence of such an abundance of minerals ensures Ontario's long-run advantage. While the existence of many new mineral deposits is currently known, particularly iron ore, they remain uneconomical to develop at this time. In addition, large areas of land in northern Ontario, which are still inaccessible by road, are yet to be explored. Accordingly, it would appear that Ontario's mineral wealth is far from being exhausted.

Ontario also enjoys the advantage of a significant amount of good agricultural land, particularly in southwestern Ontario. A good combination of soil and climate support a wide variety of specialized production such as dairying, cattle, tender fruits, tobacco and vegetables. Although some of the best land is at present being removed from production for urban development, the agricultural potential exists for increasing import substitution. Adoption of new techniques, strains of crops, etc. could substantially increase productivity and product range.

Finally, Ontario possesses a wide variety of recreation and tourism activities, including numerous picturesque landscapes, excellent fishing and hunting areas, historical sights, as well as the attractions of the larger urban areas. However, the extent to which this potential can become a long-run advantage depends to a large degree on the planning of other resources, inasmuch as the various uses are interrelated.

5.1.3 Industry Structure

The structure of industry in Ontario provides a third and very important comparative advantage. Due in part to the province's advantages in location and resources, and in part to the historical course of development, a very sizeable employment base and a considerable concentration of business activities has resulted, mainly in southern Ontario. Canada's historical tariff position made a significant contribution to this development by encouraging industrial activity despite the relatively small domestic market. Ontario has the largest share of R.D.P. in Canada, and in particular dominates the manufacturing and finance, insurance and real estate sectors (Figure 1). Ontario's dominance in manufacturing is also reflected in a relatively higher level of productivity.

The concentration of business and services acts as an advantage in that new industry is strongly attracted to areas where such concentration already exists. The reasons for this are numerous: easy access to service facilities, infrastructure and manufacturing inputs, and availability of transportation networks. Futhermore, the market that is created by the labour force, in turn attracts more industries, resulting in a multiplier effect on demand. The concentration of activity also encourages exploration and exploitation of natural resources within the province due to their close proximity.

The manufacturing base is also far more diversified than in other provinces. As well as the more traditional resource-based industries, Ontario has a number of somewhat more sophisticated types of manufacturing, such as electronics, electrical products, machinery, chemicals and aerospace products. In addition, no individual industry is particularly dominant. (Transportation equipment, the largest industry, represented only 16.9 per cent of total value-added in 1976.) As a result, the manufacturing sector is less vulnerable to economic changes or disruptions; industries can often complement each other in terms of inter-industry linkages, thereby enhancing the potential for growth.

The industrial structure and urbanization in Ontario have resulted in a large pool of skilled labour. Accessibility to excellent education facilities provides a base for future skills development, although some short-term adjustments as to the type of training necessary may be required.

The overall advantages of urbanization, which forms an important element of Ontario's industry structure, help to encourage development. The so-called "Golden Horseshoe" area of southern Ontario still captures a large share of new investment at a time when other advantages may be shifting away from the province.

5.1.4 Tertiary Sector

Relative to the rest of Canada, Ontario enjoys the advantage of a strong and well-developed tertiary sector, which acts as an important support to the primary and manufacturing sectors as well as providing a strong stimulus for further development. The sector is able to offer specialized services and skills not available elsewhere in Canada, as well as the large amounts of capital needed for major projects. Approximately 42.7 per cent of Canada's employment in the finance, insurance and real estate sector is located in Ontario, most of which is in southern Ontario, including a very high proportion of head offices. Similarly, the tertiary sector offers various amenities which can attract a large labour force: educational facilities, social and cultural facilities, product availability, a variety of job opportunities and a higher standard of living. In contrast, the north has not developed its tertiary sector to the same degree, and is particularly lacking in personal business and community services and finance, insurance and real estate activities. In eastern Ontario, the public administration sector is particularly important, although it has not resulted in the same secondary sector development that is present in southern Ontario.

There is a reciprocal nature to the tertiary sector's comparative advantage which is particularly relevant to encouraging a well-developed economy. While a strong tertiary sector will attract manufacturing, the reverse situation is also true. In fact, the two will often grow together and reinforce each other, eventually developing self-sustained economic growth. Ontario's economy has developed in this way; this characteristic has been an important factor in sustaining the economy despite other adverse structural changes.

5.1.5 Market

Ontario enjoys certain market advantages in relation to the rest of Canada in terms of domestic as well as export markets. The major long-standing advantage has been the existence of highly concentrated markets in southern Ontario (over 27 per cent of Canada's population lives within 375 kilometres of Toronto) and the very close markets of the northeastern U.S. Futhermore, these markets tend to be supported by a population with a more consumer-oriented life style. Ontario also boasts a greater buying power than the rest of the country, with above average incomes per capita, although this advantage appears to be disappearing.

Depending on how the recently negotiated GATT tariff reductions actually unfold in real terms, potential export advantages may develop, especially for certain products in southern and eastern Ontario. Some markets, which are at present protected by tariffs and, in some cases, by non-tariff barriers, may become accessible. If the Ontario and federal governments can develop successful strategies for industrial adjustment, the provincial economy may very well benefit in the long run.

Ontario has the potential to take further advantage of the domestic market through import substitution, particularly with some manufacturing and agricultural products. Furthermore, as the market structure changes towards an older population with different consumer demands, as a result of the postwar baby boom, the potential for product innovation will grow.

5.1.6 Short-Term Advantages

In addition to the relatively more permanent comparative advantages, Ontario is currently experiencing certain short-term advantages in terms of domestic and international economic circumstances. Canada has recently recovered much of her competitiveness vis-à-vis the U.S. that had eroded over the last few years. Wage demands have dampened to the extent that rates of increase for wage settlements have been below those occurring in the United States. Concurrently, the value of the Canadian dollar has fallen resulting in increased exports.

Domestically, the outlook has improved due to increased profits, favourable government actions and the removal of wage and price controls. Capacity utilization levels and productivity have increased and the investment climate has improved. These short-term circumstances could be taken advantage of to improve the longer-run competitive position. The durability of these advantages, however, will remain a problem and put a time limit on possible action. Certain recent government initiatives are trying to move quickly in this direction, specifically through grants to the pulp and paper industry and measures in the April 1979 Ontario budget aimed at creating venture capital and attracting large industries to the province. The announcement early in the same year of assistance by the federal government to the electronics industry provides further evidence of this and follows in the wake of the government-private sector task force discussions.

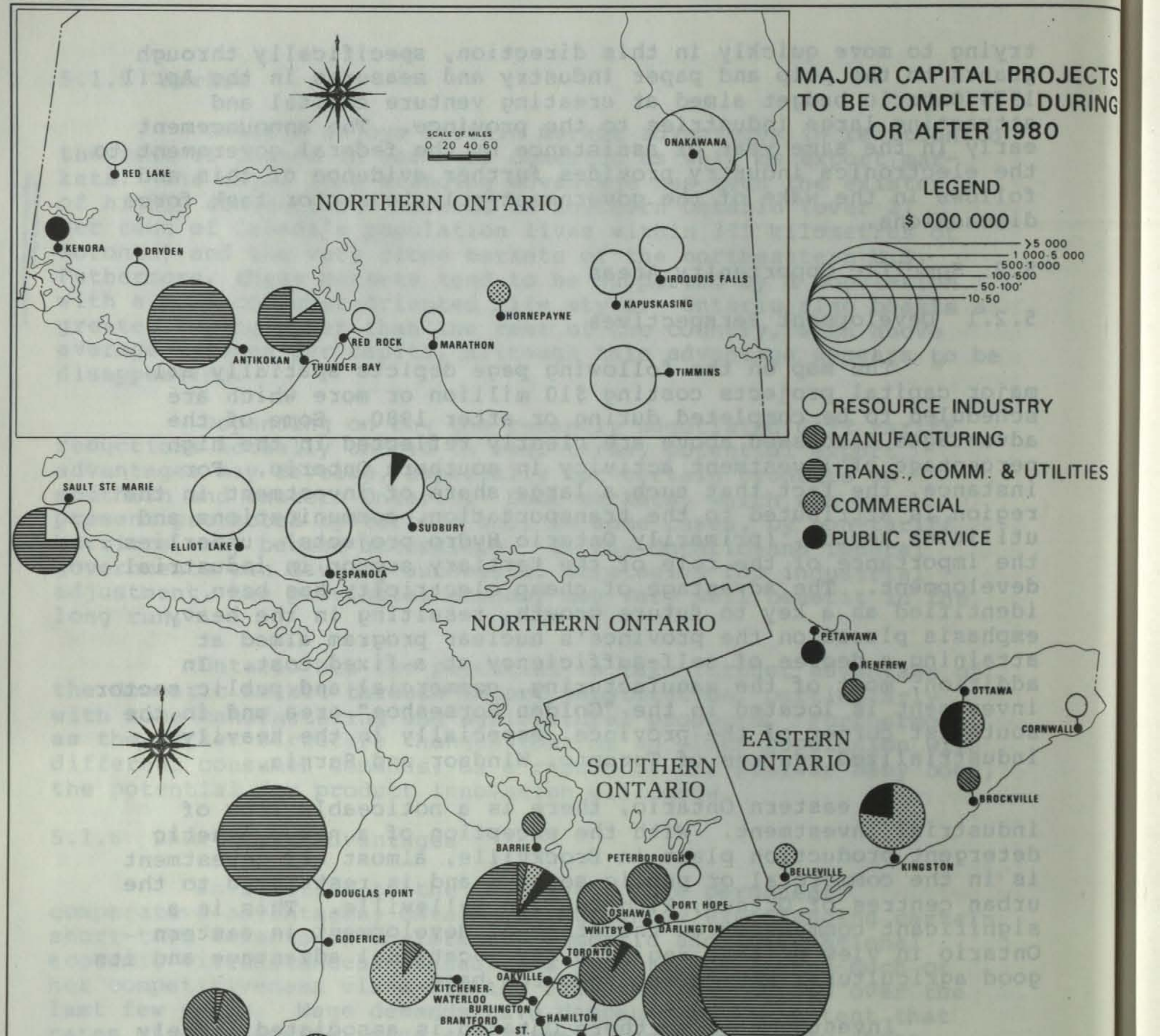
5.2 Specific Opportunity Areas

5.2.1 Development Perspectives

The map on the following page depicts spatially all major capital projects costing $10 million or more which are scheduled to be completed during or after 1980. Some of the advantages discussed above are clearly reflected in the high percentage of investment activity in southern Ontario. For instance, the fact that such a large share of investment in the region is attributed to the transportation, communications and utilities sector, (primarily Ontario Hydro projects), underlies the importance of the role of the tertiary sector in industrial development. The advantage of cheap electricity has been identified as a key to future growth, resulting in the heavy emphasis placed on the province's nuclear program aimed at attaining a degree of self-sufficiency at a fixed cost. In addition, most of the manufacturing, commercial and public sector investment is located in the "Golden Horseshoe" area and in the southwest corner of the province, especially in the heavily industrialized centres of Toronto, Windsor and Sarnia.

In eastern Ontario, there is a noticeable lack of industrial investment. With the exception of a new synthetic detergent production plant in Brockville, almost all investment is in the commercial or public sectors and is restricted to the urban centres of Ottawa, Kingston and Belleville. This is a significant commentary on the state of development in eastern Ontario in view of that region's key locational advantage and its good agricultural and forest resource base.

Investment in northern Ontario is associated largely with the primary sector, in particular the pulp and paper industry. However, these projects involve mostly plant modernization and pollution abatement rather than expanding capacity. Some activity is occurring in mining and processing, particularly around Elliot Lake, Sudbury and Timmins. These actitivies reflect the region's comparative advantage in natural resources. The low level of investment, however, in secondary and tertiary sectors (with the exception of energy projects) is symptomatic of the lack of general economic development in the north past the resource extraction stage.


MAJOR CAPITAL PROJECTS
TO BE COMPLETED DURING
OR AFTER 1980
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>5 000
1 000-5 000
500-1 000
100-500
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RESOURCE INDUSTRY
MANUFACTURING
TRANS., COMM. & UTILITIES
COMMERCIAL
PUBLIC SERVICE
SCALE OF MILES
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NORTHERN ONTARIO
RED LAKE
KENORA
DRYDEN
ANTIKOKAN
THUNDER BAY
RED ROCK
MARATHON
HORNEPAYNE
KAPUSKASING
IROQUOIS FALLS
TIMMINS
ONAKAWANA
SAULT STE MARIE
ELLIOT LAKE
ESPANOLA
SUDBURY
NORTHERN ONTARIO
PETAWAWA
RENFREW
OTTAWA
CORNWALL
EASTERN
ONTARIO
SOUTHERN
ONTARIO
BROCKVILLE
KINGSTON
BELLEVILLE
PETERBOROUGH
BARRIE
DOUGLAS POINT
PORT HOPE
OSHAWA
WHITBY
DARLINGTON
GODERICH
TORONTO
OAKVILLE
KITCHENER-
WATERLOO
BURLINGTON
BRANTFORD
HAMILTON
ST.
CATHARINES
THOROLD
NIAGARA FALLS
SARNIA
LONDON
NANTICOKE
WINDSOR
SCALE OF MILES
0 20 40 60

Ontario's development opportunities, while spatially variable in size and type, collectively add up to significant growth in Ontario in the future. While the projects themselves touch on almost every aspect of the Ontario economy, there are a number of key sectors which can be singled out as being significant growth poles in the coming years. These are the forest, primary metal and transportation equipment industries, the electrical utilities and the finance, insurance and real estate sector. The following section will explore the growth potential and significance of these and some other economic activities in further detail.

5.2.2 Primary Sector Opportunities

Forest Industries

The Canadian pulp and paper industry, a major sector in the Ontario economy, is faced with the need to modernize, improve productivity and meet upgraded environmental standards. Although it is generally operating at a high level of capacity, such improvements are necessary in order to keep pace with the growing competitiveness of international markets. Major capital investment programs of modernization and pollution abatement, all in excess of $25 million, are currently underway by Spruce Falls Power and Paper Company in Kapuskasing, Abitibi Paper in Thunder Bay, American Can of Canada Limited in Marathon and Reed Limited in Dryden. Other minor modernization projects are being carried out by pulp and paper companies at Fort Frances, Kenora, Espanola, Smooth Rock Falls and Terrace Bay.

Additional expenditures by the industry are likely following the announcement by the federal government on February 1, 1979 of a new national development policy of assistance for the forest products industry. The policy involves two elements: a commitment by the federal government to assist in the modernization of Canada's forest products operations and measures to help preserve and develop the nation's forest resources.

The first element involves a federal commitment for the expenditure of some $50 million in Ontario under the Canada-Ontario General Development Agreement. The recently signed Pulp and Paper Facilities Improvement Subsidiary Agreement provides for cost-shared incentive grants to selected pulp and paper companies in Ontario to improve the viability of the industry and increase private investment, through modernization and the installation of pollution control devices. Several of those projects previously referred to may be eligible for some assistance under the terms of this agreement. The total program is expected to result in the infusion of some $600 million in capital investments in the province's pulp and paper industry over the next five to seven years.

The second element is addressed in Ontario under the Forest Management Subsidiary Agreement dated December 8, 1978 which provides for increased forest management activity and accelerated reforestation and private sector employment in northern Ontario. As a part of the forest management activity, some 60 million government cost-shared dollars is earmarked as a contribution towards the construction of approximately 1 609 kilometres of roads. These roads are to access the mature stands of timber in Ontario's boreal forests over the next five years. An additional $8 million will be expended over the same time-frame for upgrading and regenerating specified forested areas in northern Ontario.

In addition, selected program elements of the Community and Rural Resource Development Subsidiary Agreement involve assistance to the forest industry in eastern Ontario. Relevant program elements include an inventory and assessment of the forest resource, hybrid poplar development and various research projects. The total forestry related expenditure under this agreement over a five-year period will be $5.5 million.

Other Opportunities

The decision by the Government of Canada to go ahead with the minting and marketing of one-ounce gold coins has given added impetus to the gold industry. It is expected that the coin program will take virtually all of the current Canadian mine production of around 52.9 million grams per year. As a result of a strengthening market, Campbell Red Lake Mines, Canada's leading gold producer, has commenced a $10.4 million expansion of its mine and mill facility in Balmer Township in northwestern Ontario. Scheduled for completion in 1982, the expansion program will include major townsite expenditures to accommodate a larger work force. Pamour Porcupine Mines Limited has also announced plans to spend some $3.5 million in 1979 on its gold properties in the Timmins area to prove new reserves.

The Texasgulf Canada Limited base metal operation near Timmins, Ontario continues its expansion. The construction schedule of its mine expansion, which was slowed down in 1977 due to poor market conditions, has again been accelerated due to anticipated shortages of copper on world markets. The project is expected to be fully completed by 1981. Federal participation in support of expanded community infrastructure is in excess of $5 million.

The growing demand for uranium to provide nuclear power has motivated Rio Algom Ltd. and Denison Mines Ltd. to undertake major expansions of their mining and milling operations in the Elliot Lake area. Rio Algom's current capital expansion program has been estimated at about $280 million. Denison's total expansion costs, including housing construction, are estimated to be in excess of $300 million.

5.2.3 Secondary Sector Opportunities

Primary Metal

Canadian steel mills are expected to set production records in 1979, largely because of the depreciation of the Canadian dollar. For Canadian users, domestic steel is the lowest priced supply available, and imported steel as a proportion of Canadian consumption has fallen to nine or ten per cent from twenty-one per cent in 1974. It appears that the boom will continue and companies are expected to run at capacity for at least the next year with output being rationed to established customers. Major future markets foreseeable for steel products include the construction of the multi-billion dollar plants that are proposed for tar sands and heavy oil recovery in Alberta and the 3 219 kilometres of pipe required for the Canadian section of the proposed Alaska Highway Natural Gas Pipeline.

This strong performance has led to some major expansion projects within the steel industry. STELCO, which is at present constructing a new $1.2 billion steel complex at Nanticoke, has announced an additional $365 million expansion program for its Hamilton and Nanticoke sites. DOFASCO plans spending of more than $350 million on a second hot-strip mill in Hamilton as the first stage of an expansion in steel-making capacity. Other major projects are an $85 million expansion by Lake Ontario Steel Company in Whitby and some further vertical processing facilities for the Algoma Steel Corporation's mill in Sault Ste. Marie.

A final site for the proposed $72.3 million Eldorado uranium refinery has recently been selected by the federal government. The proposed new refinery, with a capacity of 10 000 tons of yellow cake a year, is to be located in southern Ontario at Port Hope.

Further to the company's mine development, Texasgulf Canada Limited is currently constructing a $300 million copper smelter and ore refining operation at Timmins. Work has recently been accelerated in view of the improved world markets. The plant is now expected to be in production by 1981.

Transportation Equipment

The transportation equipment manufacturing sector is strongly represented in Ontario both in auto assembly and parts activity and in the higher technology associated with the specialized design and manufacture of aerospace equipment. Both activities, moreover, have strong linkages with other manufacturing industries, particularly the primary metals, machinery, metal fabricating and plastics industries. The expected development of the transportation equipment industry will, therefore, have major repercussions for these other industries in the Ontario economy as well.

The wave of newly announced expansions and developments in the automotive industry in Canada herald the beginning of technology changes which will require it to meet higher prices with more fuel-efficient vehicles and government-mandated emission and safety standards. To exploit these new opportunities and ensure its future, substantial new investments in capital and technology will be required.

The Canadian auto parts industry in southern Ontario, which up to now has had trouble maintaining its markets, is undergoing a multi-million dollar expansion. Primarily in the Windsor area, capital expenditures over the next 2-3 years exceeding one billion dollars will involve the construction of facilities to produce a wide range of auto parts from lightweight plastics and aluminum, tires and suspension parts to complete engines and transmissions. Notwithstanding the possible closure of Chrysler, the new automotive investment in the Windsor area by G.M. and Ford is expected to result in more than 7 500 new direct jobs and an additional 7 500 indirect jobs. An additional 700 direct jobs are also expected in the St. Catharines area.

Opportunities in the auto parts industry should be further enhanced by the federal government's announcement of a strategy for developing a stronger domestic automotive industry through the encouragement of new research and development. Auto parts makers will be given access to government funds through the Federal Enterprise Development Program for research and development projects and small Canadian-owned auto parts firms will be assisted in obtaining foreign technology. To offset incentives available from other countries, special assistance will also be considered where such aid is beyond the financial capabilities of the province concerned and where existing federal programs do not apply.

The Urban Transportation Development Corporation established by Ontario in 1974 is continuing to expand its know-how in the urban transportation field. As a result of its growing expertise in a high-technology industry, the corporation could emerge as a significant force in future domestic and world markets for urban rapid-transit equipment. Increasing energy costs and gasoline supply problems are likely to accelerate the demand for further investment in public transportation. This could lead to significant new capital investment opportunities and production in Ontario.

By combining private industry contracts with the requirement for Canadian content, offset and spinoff benefits related to the acquisition of the armed forces' long-range patrol aircraft fleet are expected to top $1 billion by 1988. As a result, the Canadian aerospace industry, which is strongly represented in Ontario, is experiencing major expansion and new manufacturing opportunities. This buoyancy is expected to continue in view of the additional $3.0 billion fighter plane procurement (estimated in 1977 dollars), which is currently being negotiated. In addition to the above military purchases, DeHavilland Aircraft of Canada recently announced a $6.5 million expansion program at its Downsview plant to meet increased production rates resulting from recent orders for its Dash-7 aircraft. McDonnell Douglas Canada Ltd. will undertake additional manufacturing work on the DC-9 twin jet at its Toronto plant that will total some $100 million in new business over the next 10 years.

Electrical Utilities

The electric power generating activity of Ontario Hydro continues to be an important element of public sector investment in the Ontario economy. Although Ontario Hydro will continue to invest significant sums of money in new generating equipment, reduced demand for electric power has required some delays in future investment schedules. Ontario Hydro is currently constructing three nuclear power stations, Bruce 'B' at Douglas Point on Lake Huron and the Pickering 'B' and Darlington stations east of Toronto at a cost of some $14 billion. It is also constructing thermal generating stations at Wesleyville, Nanticoke and Atikokan as well as a 2-unit plant at Thunder Bay which will be fueled with coal, shipped by rail from southern Alberta. Hydro has indicated, however, that it will be slowing down the construction of the Atikokan, Bruce 'B' and Darlington facilities.

The Ontario government, in a move to increase the share of the province's energy needs met by renewable sources, has committed $2 billion over the next 15 years for additional electrical power through hydraulic generation. The province hopes this will stimulate the private sector to invest some $14 billion in other renewable energy sources.

Ontario Hydro is at present investigating the feasibility of establishing a power generating station at Onakawana based on lignite deposits in the area, as well as three possible hydraulic developments along the Abitibi River. These potential developments could create up to 3 000 jobs and a major opportunity for the remote north.

In addition to the above new plants, the J. Clark Keith generating station in Windsor is being expanded and Great Lakes Power Corporation has obtained approval to construct a 52-megawatt generating station on the St. Mary's River at Sault Ste. Marie. Completion date for the project has been cited for the fall of 1982.

Other Opportunities

A significant chemical industry is being developed in southern Ontario. Shell Canada Ltd. is currently constructing a $230 million polypropylene and isopropyl plant in Sarnia and is examining further chemical opportunities in the area. The Shell development follows closely on the completion of the new $170 million Union Carbide Canada Limited polyethylene plant, both of which are also located in Sarnia.

The fast-growing electronics industry in Ontario is competitive and technologically sophisticated with promising potential. Mitel Corporation, involved in the microelectronics field, is currently expanding its plan at Kanata from 7 620 to 21 336 square metres. The largest Canadian company, Northern Telecom Canada Limited, also strongly represented in Ontario, is a recognized world leader in the field of telecommunications, a key subsector in the electronics industry. Recognizing the importance of this industry, the federal government recently announced a national development policy for the electronics industry which will help the sector to continue to expand in an increasingly competitive international environment featuring rapid technological change and extensive support by governments.

Within the food and beverage sector, processed beef and cheese exports will likely receive a significant boost as a result of new trade arrangements emanating from the recent Tokyo round of the GATT negotiations. This sector has been a strong performer in Ontario because of its relatively large markets and the concentration of high-value agricultural production; its continued steady expansion appears certain.

5.2.4 Tertiary Sector Opportunities

Finance, Insurance and Real Estate

The city of Toronto continues to expand its role as the financial capital of Canada. The number of head offices continues to swell with the recent decision of the Bank of Montreal and DuPont of Canada to move certain head office operations to Ontario.

The relocation of these operations to Toronto along with the relocation of the Sun Life Assurance Company of Canada, which is constructing a $35 million office tower, represents an additional 2 100 new jobs in the metro area. Recent revisions to the Bank Act have given rise to expectations that the number of overseas banks maintaining branches in Toronto will also be increased.

The demand for retail and commercial space is evidenced by the number of shopping centres and commercial complexes which are currently under construction in the province over a wide range of communities, from Dryden, Hornepayne and North Bay in the north, to the $50 million shopping and entertainment complex in Niagara Falls and the $84 million waterfront commercial and residential complex in Kingston. Future commercial development can be expected to keep pace with the general growth trend of the service sector except in localized situations such as in the Ottawa-Hull area where recent changes in federal government policy have created a temporary surplus of office space.

Other Opportunities

While the service sector is not a major contributor to the current capital development scene in Ontario, it remains an important sector of the provincial economy from an employment point of view. The service sector in Ontario expanded at a much faster rate than the manufacturing sector between 1970 and 1978, and the general employment trend in the service industries, which steadily increased from 59.7 per cent to 64.8 per cent as a percentage of total employment over this period, is expected to continue.

An important element of the service sector in Ontario is the tourist industry which, in 1976, accounted for 260 000 person-years of employment and $1.8 billion of revenues. A $70 million expenditure commitment by the Marineland and Game Farm at Niagara Falls has been made to expand its facilities. A similar major expenditure is being considered by Family Leisure Centres of Canada Limited for the development of a new amusement park at Vaughan, north of Toronto. When completed, this park will employ 200 full-time personnel and 2 000 summer employees.

Detailed plans have been drawn up for the first stage of the province's new community of Townsend, to be located near Nanticoke in southwestern Ontario. Plans for the early years of Townsend include the phased development of housing for 5 000 persons, and a commercial and town centre which will become the commercial focus of the area. A 1 011 hectare industrial park for the area is already underway. The new centre has become necessary to help accommodate the increased population in the area attracted by the new STELCO steel mill, Ontario Hydro's thermal generating station and Texaco's largest Canadian oil refinery, which are already in operation there.

6. SUMMARY AND CONCLUSIONS

Ontario has traditionally been a major strength of the Canadian economy by virtue of its location and concentration of manufacturing industry, market and financial institutions. The province currently accounts for about 40 per cent of gross national product but this proportion has been declining over the last decade and Ontario's relative position in the economy has been weakening. In addition to output, slower growth has been experienced in per capita incomes, capital investment, residential housing construction and the size of the population.

The slower growth rates in Ontario, vis-à-vis the other provinces, are symptomatic of the relatively new vulnerability of the provincial economy, a result which has occurred through the counterbalancing of Ontario's traditional development advantages by the increasing significance of Third World competition and the need for cheap, available energy. During this recent period, moreover, the discovery and exploitation of raw materials have become far more important as a cost input to the production of final goods and services than the processing and secondary manufacturing phases. Ontario, while having a number of important resources, is primarily dominant in secondary industry and has, therefore, not enjoyed the same productivity of capital as the more resource-oriented regions of the country. The recent economic performance, too, which restrained growth everywhere, has affected Ontario's costly large-scale, high-technology type of economy more seriously. The province has been particularly hurt by the high inflation and interest rates, in addition to the poor investment climate of the mid-seventies and the unusually high growth in the labour force. Hence, while Ontario has continued to grow during the seventies, development in the industrial heartland has been slow and disjointed. With the undermining of Ontario's development advantages, the weaker performance of its capital and the recent poor overall national economic performance combining to limit provincial growth, there has been some corresponding reduction in regional disparities across the country during the past decade. This event, while in itself desirable, appears to be founded, however, more on Ontario's lagging performance than on the growing strengths of other regions.

Aside from the recent variable growth performance of the province brought about by economic events, Ontario continues to have specific hard-core development problems, sectorally and spatially, frequently of the type and magnitude exhibited elsewhere in the nation. The province's construction, agriculture and mining industries, in addition to the public administration sector, have all been areas of weak growth or stagnation with high unemployment and offer little optimism for the future. Geographically, northern Ontario remains a locality of remoteness, resource-dependency and single-industry communities in need of lifestyle amenities and social adjustment, particularly for the native people. Eastern Ontario, too, despite its favourable locational advantages, is currently experiencing some of the province's worst unemployment and has failed to develop a diversified industrial base and husband its resource base to its advantage. Notwithstanding these difficulties, however, there have also been a number of bright spots and encouraging performances within the provincial economy and they have not all necessarily accrued to southern Ontario.

The manufacturing sector, the backbone of Ontario's economy, has experienced modest growth during the recent period of international economic adjustment and, now, appears to be in a somewhat improved position for a strong performance during the eighties, providing economic conditions stabilize both at home and abroad. Specifically, the primary metal industry, with steel in particular, and the transportation equipment industry, bolstered by major new investments in the auto industry and large defense contracts in the aerospace industry, are expecting major growth. Extensive development initiatives in Ontario's forestry sector, which is currently functioning at full capacity, are expected to provide major stimulus to the economy, particularly in northern Ontario. In the tertiary sector, the finance, insurance and real estate industry, as it has in the past, will be a major growth point, despite some recent competition for this activity from western Canada. Public utilities are also expected to be a source of major investment growth throughout the whole of the province.

Notwithstanding these areas of strength, prospects for Ontario over the short run continue to be cloudy. The June 1979 increase in the international price of oil, for instance, is having a recessionary effect on the U.S. economy and will have a direct impact on the Canadian economic performance during 1980. Ontario's development will also be dependent on the reinvestment of capital earned from resource industries elsewhere in Canada and on the province's competitiveness in weaker foreign markets. As a result of these economic uncertainties, public policies can be expected to play an increasingly vital role in carrying out industrial adjustment and assuring the province's ability to make its comparative advantages work for it, while simultaneously protecting it from external factors that would limit its growth potential. The Government of Ontario, in recognizing the changing realities of the province's growth capabilities, is taking more aggressive steps to nurture and direct its development, while at the same time, trying to alleviate some of the sub-regional differences in growth and opportunity. For Ontario to achieve the economic security and development momentum that it once took for granted will remain a major challenge of the eighties.