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ONTARIO

ECONOMIC CIRCUMSTANCES AND OPPORTUNITIES

One of a series of staff papers prepared by the federal
Department of Regional Economic Expansion
as a contribution to federal-provincial consultations
on regional development policy in Canada

April, 1973

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INTRODUCTION

The Department of Regional Economic Expansion was established in 1969 to consolidate and strengthen the efforts of the federal government to combat regional disparities and support regional development. The Department carried forward the work of the Prairie Farm Rehabilitation Administration, and the administration of agreements signed under the Agricultural and Rural Development Act and the Fund for Rural Economic Development. The program of the Area Development Agency, which was designed to encourage industrial decentralization, formed the basis for introduction by the Department of a similar but more broadly based program under the Regional Development Incentives Act. Commitments made by the Atlantic Development Board were carried out and a new program of infrastructure assistance was introduced under the "special area" provisions of the Department Act.

In 1972, an internal policy review was undertaken to assess the progress being achieved and, particularly, to provide a basis upon which to meet the challenges of regional development in the mid 1970's. This paper is one of a series prepared as a result of that policy review. Separate papers have been prepared for each province (except for Prince Edward Island), the Atlantic Region, the Western Region, and a region defined for analytical purposes as the Western Northlands. For Prince Edward Island, the Development Plan currently in operation provides the framework and mechanism for joint development of priorities and initiatives and in consequence a separate federal paper is not appropriate. Each paper contains a summary of economic and social circumstances and a discussion of possible areas of opportunity for economic and related social development. Together, they are designed to serve as working papers for consultations with each of the provincial governments which, it is hoped, will result in new and improved approaches to regional economic development.

Regional economic development poses complex problems that vary from period to period and from place to place in Canada. No simple nor single solution is likely to be found. New and more flexible approaches are considered necessary and it is hoped that the discussions with the provincial governments will lead to greater and increasingly more effective federal-provincial action to overcome regional disparities and to encourage economic and social development in the slow-growth parts of Canada.

This paper is meant to be read in the context of observations and suggestions contained in a statement made on April 10, 1973, by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Some relevant excerpts from this statement are set out at the end of each paper as an indication of the approach to regional development being suggested.

ECONOMIC CIRCUMSTANCES

BACKGROUND

Ontario and British Columbia were the only regions in Canada to show above average growth in population between 1961 and 1971. Over the last decade, net in-migration into Ontario averaged better than 60,000 per year or over 60 per cent of the total for the three provinces which experienced net in-migration during this period. Of total net in-migration into Ontario during the 1960's, about three quarters was accounted for by immigration from other countries. Of the approximately 150,000 migrants from within Canada, the bulk came from the Atlantic Provinces and, to a lesser extent, Quebec. Without immigration, the growth in the Ontario population between 1961 and 1971 would have been only about one-half of the increase that was actually realized. As with population, Ontario is again the only region, other than British Columbia, to record above average labour force gains. Over the last half decade, in particular, growth in the Ontario labour force was well above the national rate. Even with this rapid growth in the labour force, the unemployment rate in Ontario remained below the national average. The ability of Ontario during periods of high growth to utilize labour which is resident outside the province in periods of slower growth has contributed to a situation in which Ontario unemployment rates are generally about half the rates for the Atlantic Provinces and Quebec, earned incomes per capita about 60 per cent higher than those in the Atlantic and 30 per cent higher than Quebec and welfare costs per capita substantially below those in both the Atlantic and Quebec.

THE REGIONS OF ONTARIO

Not all parts of Ontario have enjoyed the rapid rate of growth and development which characterizes the province as a whole. Northern Ontario in particular and certain parts of eastern Ontario have tended to lag behind the provincial and national growth rates.

In contrast, the central and southwestern parts of the province have been growing so rapidly that the Ontario Government, through its Design for Development Program, has undertaken major new initiatives to rationalize and restructure the population and industrial distribution in this part of the province.

Of the 7.7 million people living in Ontario, about 4.0 million reside in the Toronto region and 2.0 million in southwestern Ontario. Thus 80 per cent of the population and an even larger proportion of economic and industrial activity occur in these two regions of the province.

The Toronto region is highly developed, well diversified in economic activities and growing rapidly. Metropolitan Toronto itself adds about 60,000 people to its population every year. Southwestern Ontario, including such major centres as London and Windsor, also has a diversified industrial base as well as a relatively efficient agricultural sector. The rapid growth of the automotive and parts industry in recent years has had a great deal to do with the strong economic performance of this part of the province.

Most of the rapid growth of the Toronto region and southwestern Ontario has occurred in urban centres. This has resulted in problems of congestion, land shortage and pollution. Accordingly the Government of Ontario's regional planning and development response in the Toronto region and southwestern Ontario is largely directed towards overcoming the problems associated with rapid urbanization, channelling and directing the rapid rate of growth which will occur spontaneously in these two regions of the province. The principal regional development objectives for these regions concern issues such as the preservation of the environment, the quality of life and the use of land; issues which are much more social and physical than they are economic.

These regional development goals and objectives for the Toronto area and southwestern Ontario are in marked contrast to the development problems and objectives in eastern Ontario and particularly northern Ontario. For example, in a policy statement on northwestern Ontario released in August 1971, the Treasurer of Ontario, the Minister responsible for regional development, outlined five specific goals for the region, four of which were related to economic expansion rather than physical and social adjustment:^{1/}

^{1/} Design for Development, A Policy Statement on the Northwestern Ontario Region, The Government of Ontario, August 1971.

to create at least 18,000 new jobs over the next two decades, encouraging economic expansion especially in a system of growth centres;

to diversify the regional economy through those industries suited to the potential of the region;

to expand and strengthen the resource-based industries;

to provide more effective transportation and communications for economic growth and social welfare;

to improve and strengthen the social infrastructure.

Northern Ontario, with a population of about 800,000 has a slowly growing resource-oriented economy. Industrial activity is concentrated almost solely on the extraction and processing of base metals, iron, nickel and wood. A high level of out-migration keeps the population growth rate substantially below one per cent per year. Outside the major urban centres of Thunder Bay, Sault Ste Marie, Sudbury, North Bay and Timmins, incomes are substantially below the Ontario and Canadian averages. Small single-industry resource towns are scattered throughout the northern part of the region and many of these, particularly the gold mining communities, have a declining economic base with little or no alternative development opportunities. Wide distances separate these communities; the loss of a job necessitates the movement of an entire family because commuting to a new job is not possible. Outside the urban centres and the small towns, a population of approximately 50,000 of largely Indian origin faces particularly severe hardships and low levels of income and public services, especially health and education.

In eastern Ontario the regional development problems are not nearly as severe. The influence of growing urban centres such as Ottawa and Kingston, and the proximity of the region to the Montreal area and the Toronto area have enabled most residents to achieve a standard of living comparable to the average Canadian level. However, certain parts of eastern Ontario are somewhat disadvantaged, or face certain development problems or constraints. The Cornwall-Hawkesbury areas and Renfrew County are examples of areas that have historically faced a declining economic base or difficult adjustment problems.

NORTHERN ONTARIO

Northern Ontario differs tremendously from the remainder of the province of Ontario. While most of the southern regions possess high population densities with the vast majority of their populous living in large metropolitan areas, the population of northern Ontario is widely scattered over a very large area, with less than half of the population residing in the major urban centres. As a result, northern Ontario, with more than three quarters of the geographic area of the province, possesses only 10 per cent of the total provincial population.

In addition, while most regions in southern Ontario possess a highly developed and well diversified economic base, the economic base of northern Ontario is very narrow, being largely composed of slow growing resource-based industries. Almost all areas of southern Ontario have per capita incomes above the national average, whereas in northern Ontario only the people residing in a relatively few urban centres enjoy standards of living equivalent to the national average. Finally, most regions of southern Ontario have experienced large population increases over the last decade as southern Ontario continues to be the major destination for migrants from both inside and outside of Canada. In contrast, northern Ontario experienced substantial out-migration over this period.

To summarize, the northern Ontario region holds many characteristics in common with the Atlantic, eastern Quebec and parts of the West: a narrow economic base, slow employment growth, below average incomes and high out-migration. One sharp difference does exist however. Whereas incomes in the disadvantaged areas in the remainder of the country can be as much as 30 or 40 per cent below the national average, per capita income in northern Ontario is presently less than 10 per cent below the all-Canada level. This is a reflection of the high productivity levels achieved by the basic sectors of the regional economy. As a result, wage rates in these industries compare favourably with any in Canada. These relatively high wage rates however are not spread evenly throughout the region. In terms of income and its spatial distribution, northern Ontario might best be compared with the province of Manitoba. In both cases, per capita incomes are about seven per cent below the national

average and only the people residing in the major urban centres have been able to achieve a standard of living comparable to Canadian norms.

DEVELOPMENT OVER THE LAST DECADE

In almost all the key parameters, the performance of the northern Ontario economy over the last decade has been well below that of the province and nation as a whole.

The following table shows that between 1961 and 1971, the population of northern Ontario rose by 7.5 per cent to reach 776,500 in the latter year. This increase is less than half of the national rate and is only a third of the Ontario growth rate. In fact, only one of the nine districts in the region, Sudbury, recorded an advance that was comparable to the all-Canada average. As a result, the increase in the northeastern part of the region was well above that in the northwest. Perhaps most significantly, almost two-thirds of the districts in the region showed an absolute decline in population between 1966 and 1971.

Within the northern Ontario region, the four districts showing the highest growth rates all possess a fairly large urban centre, namely Algoma (Sault Ste Marie), Nipissing (North Bay), Thunder Bay and Sudbury. The growth in the Sudbury district was particularly sharp during the second half of the decade.

While comparisons over time are complicated by municipal boundary changes, it would appear that the four larger urban centres all recorded population increases equal to or above the national average over the last five years. On the other hand, many smaller communities, especially those dependent on a single industry such as the gold mining towns, recorded only small gains or even absolute declines in population between 1966 and 1971. These include Timmins, Kapuskasing, Kirkland Lake, Red Lake and Geraldton. The indications are therefore that the rural to urban and small centre to large centre shifts in population within the region have been fairly substantial over the last decade. There has also been a substantial north-south shift as evidenced by the fact that the more rapidly growing centres are all on the southern fringe of the region.

The relatively slow rate of population growth in the region is due mainly to the lack of employment opportunities. Between 1961 and 1971, employment in the region rose by only 18 per cent compared with increases of 36 and 33 per cent in Ontario and the country as a whole and 22 per cent in the Atlantic Provinces.

TABLE 1
GROWTH IN POPULATION IN NORTHERN ONTARIO, BY DISTRICT

1961 - 1971

	POPULATION			PERCENTAGE INCREASE			PER CENT
	<u>1961</u>	<u>1966</u>	<u>1971</u>	<u>1961-66</u>	<u>1966-71</u>	<u>1961-71</u>	<u>URBAN</u>
CANADA	18,238,247	20,014,880	21,568,311	9.7	7.8	18.3	76.1
ONTARIO	6,236,092	6,960,870	7,703,106	11.6	10.7	23.5	81.7
NORTHERN ONTARIO	722,174	743,712	776,505	3.0	4.4	7.5	74.8
Northeast	505,651	516,228	552,135	2.1	7.0	9.2	74.4
Algoma	111,408	113,561	121,937	1.9	7.4	9.5	83.8
Cochrane	95,666	97,334	95,836	1.7	-1.5	0.2	74.4
Manitoulin	11,176	10,544	10,931	-5.7	3.7	-2.2	14.3
Nipissing	70,568	73,533	78,867	4.2	7.3	11.8	74.5
Sudbury	165,862	174,102	198,079	4.9	13.8	19.4	73.8
Timiskaming	50,971	47,154	46,485	-7.5	-1.4	-8.9	66.7
Northwest	216,523	227,484	224,370	5.1	-1.4	3.6	75.6
Kenora	51,474	53,995	53,230	4.9	-1.4	3.4	49.6
Rainy River	26,531	25,816	25,750	-2.7	-0.3	-2.9	66.5
Thunder Bay	138,518	147,673	145,390	6.6	-1.5	4.9	86.8

Only the Sudbury district recorded an increase in line with national trends, with most of this advance occurring in the latter half of the period. What is perhaps most noteworthy is the significant downturn in employment suffered by the majority of the northern districts between 1966 and 1971. These were particularly large in Timiskaming, Cochrane and Kenora, reflecting in part the further cutbacks in gold mining employment in those districts. Finally, it should be noted that the three districts with the highest increases in employment over the period (i.e. Sudbury, Nipissing and Thunder Bay) all possess a fairly large urban centre. This shows the increasingly urban orientation of employment opportunities in the northern Ontario region.

Manufacturing industries generally play a smaller role in northern Ontario than in the country as a whole. Still, manufacturing - especially primary manufacturing - constitutes an important part of the economic base of most of the districts in the region, and thus provides an important measure of the overall growth performance of the region and its different parts. The region's relatively slow-growth in population and employment over the last decade can be explained at least in part by the well below average gains in manufacturing activity. Employment in manufacturing in northern Ontario increased by 13 per cent between 1961 and 1970 or well below the advances of 26 and 21 per cent recorded at the provincial and national levels. At the same time, the upturn in population and employment recorded by the Sudbury district between 1966 and 1971 can be traced partially to the well above average gains in manufacturing activity in this district. As a result, the north-eastern part of the region was able to register a small increase in manufacturing employment during the latter part of the decade, whereas the northwest suffered a 10 per cent decline.

The relatively slow rate of growth of employment over the last decade has contributed to a decline in per capita income, and, although estimates are not readily available, it is likely that the unemployment rate has increased quite substantially. While the traditional adjustment mechanism of out-migration has been quite significant, it has not been fast enough to avoid rising unemployment and reduced incomes in the face of slow-growth in employment opportunities. At the beginning of the 1960's per capita income in the region was above the national average; however by 1969 it had slipped to seven per cent below the national figure. Over the same period out-migration was averaging about 10,000 persons per year, which is in marked contrast to the net in-migration which occurred during the decade of the 1950's.

Migration into and out of northern Ontario has closely paralleled the expansion and contraction of the resource-based industries. During the 1950's the discovery and exploitation of uranium at Elliot Lake and base metals throughout the whole of the region attracted thousands of people from southern Ontario and other parts of Canada. Between 1951 and 1961 the population of northern Ontario increased by 186,000 or over 30 per cent. During the 1960's, as the uranium industry declined and as other resource industries stabilized their employment levels, the population grew by only 7.5 per cent and over 75,000 people left the region. In northwestern Ontario the level of out-migration was almost equivalent to the rate of natural increase. In 1961 the population of northwestern Ontario numbered 217,000; ten years later it was only slightly larger at 224,000. In northeastern Ontario on the other hand the population increased by about 10 per cent.

These contrasting growth rates between the two regions within northern Ontario are largely a function of differences in their respective regional economies. In the northeast, mining and related manufacturing are the critical industries, accounting together for 27 per cent of the total work force in 1961. In contrast, in the northwest, mining is fairly prominent but a related metal industry has not developed. The dominant sectors here are forestry and related industry which accounted for a fifth of the labour force at the beginning of the last decade.

The economic base of northern Ontario remains essentially the same today, although a few alterations have occurred. Employment in mining has stayed at about the 1961 level; cut-backs in gold and uranium mining have been offset by some increases in base metals and iron ore. Employment in forestry and agriculture probably showed fairly substantial declines, the result of further technological improvements in those industries. On the other hand, manufacturing showed some increase in employment but probably accounts for a somewhat smaller proportion today than a decade ago. Accordingly, in line with national and provincial trends, the service industries now make up a larger share of the northern Ontario work force than in 1961, although still well below the provincial level. Northern Ontario is still a net importer of various kinds of services provided from the larger urban centres in the south. However, as the process of urbanization continues in the north a larger number of service industries will be attracted to the region and employment in these industries should expand significantly.

UNIQUE PROBLEMS IN NORTHERN ONTARIO

Two problems in northern Ontario are of particular significance. The population living in remote rural areas (largely of Indian origin), which accounts for as much as a twelfth of the regional total, faces particularly severe economic and social problems. Employment opportunities are declining rapidly in their traditional pursuits of hunting, fishing and trapping but, because most live in scattered and remote communities throughout the northern part of the region, few alternative employment opportunities are available. Their problems are further exacerbated by a high birth rate.

The results are a low standard of living, sub-standard housing and often migration to urban centres for which they are not prepared and which are not prepared to receive them. A two-fold objective might be required to fully meet the needs of northern Ontario's native population: first, to improve employment opportunities in the remote areas for those who wish to remain; and second, to improve the educational levels of those that prefer to migrate to the urban centres. While a good deal of progress has been made in recent years, much remains to be done.

Different but related problems exist for the gold mining communities and some of the pulp and paper towns. Over the last 10 to 12 years, employment in gold mining in the region declined by about two-thirds to around the 3,500 level at present. The factors behind this were the depletion of the ore reserves, rising costs in the industry, and until recently, the fixed price of gold. Particularly hard hit were a number of the more northerly communities which were totally dependent on gold mining.

The federal government's Emergency Gold Mining Assistance Act (EGMA) was established in 1948 for the purpose of providing direct cost aid to eligible gold mines. The act is administered by the Department of Energy, Mines and Resources. All but one of Ontario's gold mines (Campbell Red Lake) have qualified for and received cost aid under EGMA.

A recent Ontario government task force on the gold areas concluded that, despite recent price development and the provision of subsidies, the gold mines will continue to close. Therefore, alternatives to gold mining would have to be found if the affected areas are to remain viable. The task force further concluded that, while townsite abandonment represented the only logical course in many cases in the past, the Kirkland Lake, Porcupine (Timmins), Geraldton and Red Lake areas possess such substantial infrastructure and population that abandonment could not be considered an acceptable alternative.

The four areas in question have already demonstrated a potential for the development of base metals and iron ore. Based on this, both the federal and provincial governments have recently recommended programs to stimulate exploration and new mining development. A further objective might be to diversify the economic base of the four areas. Because of their size and location, all of the communities have already undergone some degree of diversification; particularly Timmins and Kirkland Lake, which have become important service centres for a wide surrounding area, and the Geraldton area, where a heavy reliance on primary forestry has arisen. In general, the diversification that has occurred has only slowed but not prevented decline. Consequently, all of the gold mining areas experienced losses in population over the last decade.

The pulp and paper industry in northern Ontario, as in many other parts of the country, is faced with increasing costs and obsolete machinery and equipment. If present conditions continue, it is anticipated that at least five mills in northern Ontario will have ceased production by the end of the decade. The Abitibi Paper Company has already indicated that it will close its Sault Ste Marie plant in a few months. About 400 jobs would be lost in this case but fortunately Algoma Steel is expanding so that the city will be able to absorb this loss of employment without too much difficulty.

In northern Ontario as a whole, between 6,000 and 7,000 direct jobs may become redundant within the next few years. Since 1969 DREE has assisted in the creation of 4,000 expected jobs. For the most part, however, the DREE assisted jobs will not occur in the communities where the impact of employment declines will be greatest. In light of these circumstances special efforts may be required to strengthen existing resource industries, encourage diversification where viable opportunities exist, and assist in the social adjustment process for those who choose to leave the communities.

EASTERN ONTARIO

Because it contains the nation's capital, eastern Ontario occupies a unique position among the economic regions of Ontario and the country as a whole. While major transportation linkages to centres outside the region reflect important economic and social ties, Ottawa remains the dominant factor in the region. Thus, in 1971, the Regional Municipality of Ottawa-Carleton accounted for nearly a half of the total regional population of 922,500 people.

However, the very dominance of the capital area tends to obscure the wide diversity in topography, life-styles, economic characteristics and development potential which is inherent in the eastern Ontario region. The region could be divided into at least three separate sub-regions. First, there is the national capital area itself; its economy is based almost solely on the public service and government-related activities. A second sub-region is the Canadian Shield and Rideau Lakes area (largely Renfrew and Lanark Counties) lying to the west and north of Ottawa. Most of this area falls within the Renfrew-Pembroke Special Area. The dominant industries here are forestry and wood-based manufacturing, plus tourism. Finally, there is the St. Lawrence lowlands sub-region lying to the south and east of the capital area. This sub-region includes the richest agricultural land in eastern Ontario, plus several larger towns with fairly diversified economies. The three eastern counties of the province, Glengarry, Stormont and Prescott, are included in this area. These counties along with the Montreal and Hull areas of Quebec were designated for the provision of industrial incentives in January 1971. This area on both sides of the provincial boundary is referred to as Region C.

DEVELOPMENT OVER THE LAST DECADE

The performance of the eastern Ontario economy generally compares quite favourably with that of Ontario and the nation as a whole. This however is a reflection of the dominance of the Ottawa area within the region. Beyond the capital area, the pace of development has been mixed. For example, while the region registered an 18 per cent increase in population between 1961 and 1971, the more rural parts registered little

or no population growth. In general, the smallest population gains occurred in the Canadian Shield area, especially Renfrew County. In contrast, a number of counties in the lowlands area experienced modest population growth. These include Frontenac, Grenville, Leeds and Stormont. Still, these gains tend to be dwarfed by the population increase recorded by the Ottawa-Carleton regional municipality. In fact, Ottawa-Carleton accounted for better than four-fifths of the total absolute increase in population in eastern Ontario between 1961 and 1971. This shows the magnitude of the rural-urban shift which has been occurring in the region over the last few years and is not unlike the experience of most rural areas across the country.

In general, manufacturing industries play a much smaller role in the eastern Ontario economy than in the province or Canada as a whole. Value added in manufacturing per capita for example is less than two-thirds of the Canadian average. Still, in a number of counties outside the capital area, manufacturing is an important part of the economic base; this is particularly true for Leeds (mainly Brockville), Dundas, Grenville, Stormont (Cornwall), and Frontenac (Kingston).

The growth of manufacturing activity in eastern Ontario was somewhat below the Ontario and Canadian gains during the last decade, especially in terms of employment. Between 1961 and 1970, manufacturing employment in the region rose by 17 per cent compared with gains of 21 and 26 per cent at the national and provincial levels. In contrast to population growth, manufacturing trends in Ottawa-Carleton had a dampening effect on the regional average; manufacturing employment in this county rose by only 6.6 per cent from 1961 to 1970. Thus, outside the area of highly government-oriented service employment, eastern Ontario experienced growth in manufacturing employment which probably exceeded the national average. Substantial increases in manufacturing activity were recorded by a number of counties, such as Glengarry, Prescott, Lanark, Dundas and Leeds. In the first two, the upturn in manufacturing, especially between 1966 and 1970, may be a reflection in part of activity under the former ADIA program.

In general, it was the less urbanized counties which showed the higher manufacturing gains over the last decade. It appears therefore that most of the manufacturing activity attracted to eastern Ontario over this period was labour intensive in nature and therefore oriented towards smaller towns where labour and land costs tend to be lower.

Estimates indicate that per capita income in eastern Ontario rose at only slightly less than the national average between 1961 and 1969. Accordingly, per capita income in eastern Ontario has remained about 10 per cent above the

national average. Perhaps more importantly, the degree of income disparity within the region showed a tendency to decline over this period; the majority of the less prosperous counties recorded gains in per capita income above the eastern Ontario average.

In general, the eastern Ontario economy is expected to continue to expand at a reasonable pace over the years ahead. In the Ottawa area rapid expansion in the economy can be anticipated, based on further growth in the federal public service and in government-related activities. The latter could take on added importance in the future, as the growing strength of the federal government makes an Ottawa location increasingly attractive for many types of activities, both in manufacturing and in services.

On the other hand, the growth potential of the Canadian Shield area (mainly Renfrew and Lanark Counties) is mixed at best. Renfrew County is typical of most rural areas in Canada facing adjustment problems due to the declining importance of agriculture and primary forestry. The area's potential for attracting secondary industry is limited by its distance from major markets and its scattered population. However, some expansion can be anticipated in the tourist industry and perhaps in wood-based activities, and the towns of Arnprior and Renfrew hold some promise of attracting new manufacturing.

In the St. Lawrence Lowlands area, continued contraction in the agricultural labour force can be expected as technological improvements allow further increases in production with decreases in labour inputs. However, the areas centred on Kingston, Brockville and Cornwall along the St. Lawrence and on Hawkesbury in the Lower Ottawa Valley all possess potential for growth, based on further expansion in their manufacturing, retailing and service function and their central position between Canada's two largest urban centres with more than six million people in areas between Hamilton and Montreal.

It might be useful to focus briefly on the economic prospects of the Cornwall area, since it represents the principal centre of that part of eastern Ontario presently designated for incentives under the Regional Development Incentives Act. In the fall of 1971, a study was completed on the industrial potential of the Cornwall area. The study concluded that Cornwall possesses considerable potential for industrial and economic expansion. The positive factors include an ample supply of well-educated labour, the highly developed industrial base already there, good transportation linkages and competitive wage rates. The study however identified possible constraints to the realization of this potential; these would include the lack of fully serviced industrial land and the fact that most

possible sites are owned by outside private interests, the need to extend water and sewer facilities to all parts of the city, and high trucking rates between Cornwall and Montreal. Many of the recommendations of the report are presently being implemented by the city of Cornwall. The favourable conclusions of the study concerning Cornwall's growth prospects, together with the readiness of the city to implement the study's recommendations, hold out the possibility that the economic downturn of the late 1960's will prove to have been a short-term phenomenon only.

With good overall prospects for growth, with the substantial influence that Ottawa has on the region, and because of its central position in the highly developed Montreal-Toronto corridor, eastern Ontario can in no way be described as a slow-growth or economically disparate region in the Canadian context.

OPPORTUNITIES

INTRODUCTION

In aggregate terms the growth performance of the Ontario economy as a whole has surpassed all other provinces in Canada. In 1972, of the 250,000 new jobs created in Canada, 140,000 were in Ontario. The unemployment rate in the province dropped to 4.8 per cent in 1972 from 5.2 per cent in 1971. Ontario was the only broad region in the country to experience a decline in the unemployment rate over this period.

The growth of the provincial economy and its present position of importance in the nation has been facilitated and assisted by federal government policies covering a broad spectrum of economic, industrial, financial and social development programs. For example, Ontario has received a significant amount of financial and other assistance to industry through the programs administered by the Department of Industry, Trade and Commerce. These include the General Adjustment Assistance Program, the Defense Industry Productivity Program, the Trade Industrial Program, the Industrial Research and Development Act and the Program for the Advancement of Industrial Technology. In addition central and southwestern Ontario have been the principal beneficiaries of employment gains in the growth and development of the Canadian automobile and parts industry over the past decade.

EASTERN ONTARIO

The rapid rate of growth of the Ontario economy as a whole has carried over into the eastern part of the province. Per capita income in eastern Ontario is 10 per cent above the national average, and the rate of growth of population is equivalent to the national rate. The smaller centres in the region, both inside and outside the designated areas, have attracted a significant amount of new manufacturing activity. In the Cornwall area the unemployment rate has declined at a time when the national rate has remained steady.

Opportunities for economic growth and expansion exist in most sectors of the regional economy. Declines in employment in agriculture and primary forestry will continue but these will be more than offset by increases in the public service in the Ottawa area and further growth in the manufacturing industries throughout the small towns and cities of the region. For all intents and purposes eastern Ontario is now part of the mainstream of economic activity in the highly developed and rapidly growing urban-industrial corridor between Montreal and Windsor.

NORTHERN ONTARIO

In contrast to the significant growth in the economy of eastern Ontario in recent years, the northern Ontario economy is still plagued by slow-growth, high unemployment and lower levels of income. Indeed, during the 1960's, as mentioned earlier, per capita income in northern Ontario slipped from a position of approximate equivalence with the Canadian average in 1961 to only 93 per cent of the national average in 1969. For the most part the region remains isolated from the mainstream of economic activity in the remainder of the province and nation.

Despite increasing competition from alternate sources of supply in Canada and abroad, the basic sectors of the region's economy, i.e. mining, forestry and related manufacturing, will probably show further expansion in the years ahead. But while substantial output increases may be realized, if present trends continue, the employment gains will be relatively small and will certainly fall well short of the overall job requirements for the region which have been specified by the Ontario Government. Wage rates will tend to compare favourably with national averages, but per capita incomes could be depressed by relatively high unemployment in the absence of additional job opportunities and/or migration from the region. Also, given the male orientation of the industries and the frontier nature of the region, they will generate few jobs for female workers. Further, while overall prospects are good, the problem of the single-industry town will remain; and resource depletion - especially of minerals - creates some uncertainty regarding the longer-term growth prospects.

In spite of these problems, however, a number of opportunities exist for increasing the income levels in the region and for improving the stability of the economy. These opportunities include increases in employment in the service industries associated with the growth of the major urban areas; increases in the manufacturing of commodities which are presently being imported from outside the region; further expansion in the extraction and processing of the resources indigenous to the

region; and the exploitation and utilization of the abundant recreational resources.

Even though the overall population growth rate is quite low, the process of urbanization is continuing in northern Ontario and, if anything, is likely to accelerate in the future. Urbanization itself is a job creating industry. As the cities grow larger, their populations make ever increasing demands for new and better services. Since wages and salaries are higher in the cities, more disposable income is available for a variety of services which were either not available in the rural areas or were performed by the people in the commodity producing industries themselves. Thus increasing population and incomes in the urban centres of northern Ontario will create new jobs in the service industries, particularly in transportation and communications and retail and wholesale trade.

In addition, as the cities grow larger, manufacturing industries could begin to recognize the benefits of economies of scale. Industries formerly supplying commodities to the population from plants in the southern part of the province could begin to produce in the urban centres in the north as they become large enough to support efficient sized plants. Firms could be established to supply a larger and more efficient local market instead of continuing to supply that market by shipping commodities over long distances. As the economy of northern Ontario continues to grow, and as the process of urbanization accelerates, import substituting industries will create an increasing number of new job opportunities.

However, it will probably be necessary to go beyond this to industry exporting out of the region in order to have a substantial impact on the region's economic base. In competing for non-regional markets, however, northern Ontario must overcome a number of obstacles including the remoteness from the major markets of North America which results in higher transportation, production and marketing costs relative to, for example, the Toronto-centred region. In addition, because of the high productivity level achieved by the existing industries, the major urban centres in the region are very high-wage which tends to discourage new industries which might otherwise locate in the region.

Several constraints exist to the attraction of secondary manufacturing to northern Ontario. The population is scattered and there are few linkages between the major urban centres. As a consequence, labour markets tend to be limited to a given community and its immediate vicinity. Moreover, purchasing power in a given urban centre is often not sufficient to attract supporting industries. The region also lacks a large metropolitan area which can provide the wide range of goods

and services required by modern industry. Even the largest centres in the region have moved only slightly beyond their resource-based origins. Related to this are such infrastructure problems as the lack of adequate housing, inadequate sewage facilities and the lack of fully serviced industrial land.

The resource industries and resource-based manufacturing have demonstrated potential for further growth, although the rate of expansion is not likely to be as great as during the 1950's. The mining industry is capable of expanding both output and employment, although increases in the latter will not be large. The mining of base metals in particular shows good promise of expanding, and the further development of iron ore deposits, particularly in the northwestern part of the region, can be expected. Opportunities also exist in the further processing of these indigenous resources, and in manufacturing industries which are large users of these resources such as heavy industrial equipment, where transportation costs to markets are not prohibitive. Industries involved in the processing of the vast quantities of wood resources in the region are also capable of expanding. The amount of timber that is cut every year in northern Ontario is still considerably less than the sustained yield.

The recreational industry in northern Ontario holds out promise of greatly increasing its importance to the regional economy. Population and incomes in the major metropolitan areas in the southern part of the province are growing rapidly. At the same time as people are earning more money, they are finding that they have more time to devote to leisure activities. Thus, as the traditional recreational areas of Muskoka and Haliburton become more congested, northern Ontario will become an increasingly attractive resort and recreational area, providing higher levels of income and year-round employment for thousands of its residents. With its abundant and attractive natural features the region is well-placed to capitalize on the growing demand for outdoor recreation and leisure activities.

However, while the region possesses tremendous tourism potential, better and faster access for the more populous areas of North America, together with expanded facilities and perhaps the development of special attractions, will be required to realize this potential. The limited amount of available capital and the lack of entrepreneurial talent also act as constraints to the optimum development of the industry. Moreover, attempts will have to be made to increase activity in the winter months in order to smooth out the seasonality of the industry. A possible approach which has been suggested by the Ontario Government might be to develop a planned system of recreational complexes throughout the region. One such development is the Maple Mountain Recreational Complex in the vicinity of Haileybury.

Preliminary studies being funded by ARDA indicate that an all-year round complex accommodating up to 3,000 people might be feasible. Rough estimates suggest a capital cost of \$35 million of which half would be provided by the private sector.

Some broadening of the economic base of northern Ontario is likely to be realized in the years ahead. However, most of the diversification will probably occur along the southern fringe of the region. The opportunities for industrial growth are much more limited for the scattered communities in the more northern parts of the region. In these cases, diversification will perhaps involve only increased tourist activity. The opportunities for industrial growth will likely remain limited for most of the gold mining communities and for many areas with a high proportion of native population. Reflecting these various factors, the population shifts of the past, that is, from rural to urban, from small to large centres and from north to south, can be expected to continue for the foreseeable future.

The challenge in northern Ontario is to realize the development opportunities which exist, while at the same time facilitating in, and assisting in, the adjustment process which appears likely to continue.

EXCERPTS FROM MINISTERIAL STATEMENT¹

The economic circumstances and opportunities outlined in this paper and similar papers for other provinces and regions of Canada have been produced as part of the review of policies and programs carried out by the Department of Regional Economic Expansion over the past year. This review, and tentative policy approaches resulting from it, were discussed by the Honourable Don Jamieson, Minister of the Department of Regional Economic Expansion, in his opening statement to the Standing Committee on Regional Development of the House of Commons on April 10th. Following are excerpts from that statement:

....When the Department of Regional Economic Expansion was established in 1969, it was given a broad mandate to bring together a number of predecessor programs and to develop a much more comprehensive attack on regional economic disparities....The Department was quickly organized; it gave new impetus to the programs it inherited, notably those concerned with rural development; it introduced major new programs placing an increased emphasis on federal support for public investment in infrastructure as a means of developing selected urban centres and on federal financial incentives as a means of stimulating private investment in job-creating plant and equipment; it reinforced its initial momentum with subsequent initiatives, notably those providing for different kinds of development corporations in the Atlantic Region and for assistance to agricultural service centres in the Prairie Region; and it was provided by

¹ Statement prepared for delivery by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Parliament with authority to increase its expenditures from \$240 million in its first year to over \$500 million in its fourth year of operation....The bulk of its activity has been carried out under federal-provincial agreements, providing it with a unique and challenging experience with co-operative working arrangements between the two senior levels of Canadian government....

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

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

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

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

In working with my officials, and in discussion with my colleagues, I have become increasingly impressed by the range of opportunities for economic development that exist in most parts of this country and by the large number of public policies and programs that bear, or could be brought to bear upon a concentrated effort to realize some of these opportunities. This is what has led me to speak publicly in recent weeks about the possibilities inherent in a "multi-dimensional approach" -- an approach that would call for the identification and pursuit of major developmental opportunities by means of the co-ordinated application of public policies and programs, federal and provincial, in cooperation where appropriate with elements of the private sector. I intend to explore this concept with the provincial governments and am prepared to consider its use as a basis for new federal-provincial initiatives in the field of regional development.

Application of the concept would require continuing analyses of regional and provincial economic circumstances and opportunities. As part of our own policy review, as I mentioned earlier in my statement, we have devoted most of our resources to analyses of this kind. Staff papers setting forth the results of our work have been prepared for the Atlantic Region and each of its four provinces, for Quebec and Ontario, for the Western Region, each of its four provinces and an area called the Western Northlands that was arbitrarily defined for analytical purposes.....

Although based on a fair amount of staff work, the opportunities [outlined in the papers] do not represent federal commitments or federal proposals

for provincial or regional developmental strategies. They are designed simply to illustrate the potential advantages of an approach to development based on the identification and coordinated pursuit of major developmental opportunities....

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

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

The present programs tend to focus on particular factors in economic development, each of which is important, and to provide financial assistance related to those factors. Most notable are the incentives program which is designed to stimulate private capital investment in manufacturing and processing facilities, and the special areas program, which is designed to stimulate public capital investment in defined growth and service centres. I have no doubt that federal government support for capital investment in slow-growth areas will continue to be an important element in regional development policy. But it may be that available support for this factor can be made more productive if it is made more flexible, so that it can respond to developmental opportunities that do not fall neatly into the categories of secondary manufacturing investment and

special areas infrastructure investment. I will therefore be exploring with the provincial governments ways in which the staff and financial resources of my Department could be used more flexibly in a manner that would be even more responsive to variations, from region to region and province to province, in economic circumstances and opportunities.

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

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

The example may help to indicate why I am

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

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

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

I might mention in passing that, in planning the reorganization of the Department required to achieve the increased decentralization referred to in the Speech from the Throne, we are endeavouring to build in elements that would enable us to play an effective role in the development of a "multi-dimensional" approach to regional development in

Canada. Planning for the reorganization is now moving ahead quickly and I hope, before too long, to announce our intentions in more specific terms.

One final point. Today I have spoken at some length about a possible new approach to regional development. I am optimistic about its potential and I believe that, if it were to be applied as a basis for new initiatives, with the full support of the provincial governments, it might in time increase rather dramatically the effectiveness of the national effort to reduce disparities. But I am very conscious of the danger of raising expectations to unrealistic levels. The suggested approach could be a means of bringing about important improvements in federal-provincial cooperation in matters affecting economic development. It could be a means of moving us more rapidly toward important national goals. But I am not offering it as a panacea. I do not believe in instant solutions.

