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MANITOBA

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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Economic Circumstances And Opportunities

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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

When the province of Manitoba entered Confederation in 1870 there were about 12,000 settlers on the land purchased by Lord Selkirk from the Hudson's Bay Company. These settlers were descendants of the Selkirk band, fur trappers and the Métis. This colony was essentially self-sufficient and had increased in numbers despite severe adversity.

Not until after the 1885 Rebellion was the railway link completed between eastern Canada and Manitoba. During the 1890's and 1900's the federal government's free homesteading policy, together with this increased ease of access, encouraged a flood of migration to the west. In 1891, the population of Manitoba totalled nearly 153,000; ten years later, the provincial population had swelled to just over 255,000. The rapid settlement of the province, and the rest of the Canadian west, continued unabated for the next thirty years and by 1931 the population of the now enlarged province of Manitoba was estimated at just over 700,000. The provincial boundaries were extended in 1931 to include Churchill and lands up to the 60th parallel.

It is impossible to speak of the settlement of Manitoba without acknowledging the role and importance of the city of Winnipeg in the context of the provincial economy. The city was incorporated in 1873, three years after Manitoba entered Confederation, when the population totalled less than 2,000. By 1911, Winnipeg accounted for nearly 40 per cent of the provincial population. More recently, its growth has been the dominant feature of the Manitoba economy. The city of Winnipeg assumed its entrepôt and manufacturing role for western Canada extremely early in its development and has continued to function in this role.

As elsewhere in Canada the advent of World War I brought about boom conditions in Manitoba which lasted until 1919 when an economic recession caused unemployment and hardship until 1924. At that time, under the stimulus of favourable weather conditions, agriculture experienced a revitalization and the province once more resumed its economic growth. The pulp and paper industry, metal mining and manufacturing all expanded their activities during this period and engendered an increase in electric power production. In general, it can be stated that Manitoba, like the other provinces of Canada, shared in the economic expansion which was to last until the worldwide economic depression commencing in 1929.

The 1930's were years of extreme economic dislocation characterized by minimal capital investment, high unemployment, personal hardship and extremely low prices. Added to this were drought conditions on the prairies, insect plagues and soil drifting which brought tax arrears and foreclosure sales to farmers, and relief lines, economic retrenchment and stagnation to the province as a whole. Three examples of the economic malaise were: investment income in Manitoba, which totalled \$36.8 million in 1930, sank within three years to \$19.7 million; income from agricultural enterprises, which totalled \$46.4 million in 1929 and by 1932 had fallen to \$5.6 million; and salaries and wages, which shrank from \$191.7 million in 1929 to \$110.4 million in 1933.

Manitoba's economic problems continued until 1939-40 when Canada changed over to a wartime footing. During the next five years the economy was strained to capacity to produce both food and war materials. Prices and wages were held in control during this period; people were encouraged to save and forego consumption, many goods were rationed and large quantities of capital goods, much of them purchased before the Depression, were in a state of disrepair by 1945.

By 1961, Manitoba's population had risen to nearly 922,000 with immigration from Europe being one of the major contributors to this growth. Over 32 per cent of the population increase in Manitoba during the decade ending in 1961 was attributable to the inflow of new Canadians. However, the Manitoba increase of 19 per cent over the decade was below the national increase of 30 per cent between 1951 and 1961.

The city of Winnipeg continued to increase in importance relative to the provincial economy. Its population by 1961 totalled 476,000 or 52 per cent of the provincial inhabitants. Its growth rate was 33 per cent over the decade; for the rest of the province, 6 per cent.

The fifteen years between 1949 and 1963 saw a tremendous investment by Canadians in all types of capital. Manitoba enjoyed a capital input of \$5.22 billion or about \$15,220 per worker. While this was below the national average of \$15,938 and the average capital invested in the other two prairie provinces, it was above that in Quebec and the Atlantic provinces. During this period farming practices and manufacturing techniques changed radically as rising wages, continuing labour shortages and improved technology encouraged the entrepreneur to invest in new processes to produce goods.

Coincident with these capital investments in the farming and manufacturing processes, development of the primary pulp and paper and minerals extraction industries was given new impetus. At the same time Winnipeg continued in its entrepôt function for western Canada although some relative erosion of this activity was becoming evident as cities to the west gained economic strength and importance. Northern exploration and oil discoveries in Alberta and Saskatchewan, however, created ties for Winnipeg with the United States mid-west and the Mackenzie River Valley to the north.

By 1957 the steam had gone out of the Canadian and Manitoba economies and a period of adjustment lasting about four years occurred. The economic pause was especially relevant to Manitoba, as well as to the other two prairie provinces, because the demand for wheat on world markets did not pick up until after the major wheat sales of 1961. Thus most economic activity in the province was slow, until more favourable international and national economic conditions and the wheat sales gave it the necessary stimulus and launched the economic expansion that was to last until the late sixties.

THE SIXTIES

In the sixties the Manitoba economy registered a reasonably solid increase in most production sectors. Only the forestry and the fishing sectors declined in net value of production between 1961 and 1970. In the final years of the decade, however, the demand for wheat on world markets dropped significantly and the prairie farmer was faced with grain surpluses and low prices. In 1968 the income per worker from agricultural activities was estimated at \$3,750. One year later this average had dropped to \$2,320 and by 1970 this average dropped still further to \$1,400. This was concurrent with a continuing decline in the number of farmers.

Because of the diversification of the economy, declines in lagging sectors were offset by gains in the leading sectors. Overall growth was realized and during the 1960-72 period, the province estimated that its Gross Provincial Product (GPP) grew from \$1,934 million to about \$4,400 million. This represented an average annual increase of 7.2 per cent as compared to 8.6 per cent for Canada's Gross National Product (GNP).

Structural changes in the provincial economy were in evidence. Net migration out of the province averaged about 4,800 per annum. At the same time the urbanization of the population continued to increase with the result that by 1971 nearly 70 per cent of the residents of Manitoba resided in urban centres. During this time, as was the case in most of Canada, the average age of the population decreased; postwar babies formed a large segment of the population.

The province of Manitoba faces the future with an economy that is fairly diverse in structure, but still subject to the vagaries of demand for agricultural and other primary products. The manufacturing sector of the economy is reasonably strong, but produces essentially for markets in western Canada. The minerals extraction industry is active but may face some adjustments due to changing world demand. The entrepôt function performed by the city of Winnipeg for western Canada continues to lose ground relatively as cities further to the west grow in importance and size.

Thus Manitoba has entered the seventies with some problems: the increasing concentration of its population in one major centre; the continued out-migration of its population; a strong dependency on primary resources production; and the relative shifting of manufacturing and service activities to other regions. While Manitoba cannot be considered as disadvantaged a province as Saskatchewan or the Atlantic provinces, unless steps are taken to arrest and turn about some of the trends in evidence the situation could deteriorate. The solution to these problems is complex and covers the spectrum of economic and social activities. With a population growth that is very slow, it is essential that new growth opportunities be identified and programs be undertaken to assure future economic development.

Population

During the past decade, the population of Manitoba increased but at a rate that was generally less than one-half of the national rate. This relatively weak performance was due to persistent net out-migration.

Between 1961 and 1971, the population increased by nearly 67,000 to 988,000; an annual increase of 0.7 per cent as compared to 1.8 per cent at the national level. As a proportion of the national total, the provincial share dropped during the decade from 5.1 per cent of the Canadian population to 4.6 per cent.

The annual increases in population were not smooth, and during 1966 and 1967 the population was 2,000 below the 1965 peak of 965,000. Thereafter the provincial population again increased. Latest estimates place the 1972 population at 992,000, a 4,000 increase over 1971.

Table 1 shows the age distribution of the population in 1961 and 1971 for selected groupings. Assuming that the economically-active population is composed of the age group 15-64 and that the younger and older segments are dependent on the efforts of the central group, the dependency ratio for Manitoba does not differ significantly from the national dependency ratio. Just as for the nation as a whole, the proportion of older people in the population increased over 1961 while the 0-14 age group declined.

TABLE 1
POPULATION AGE DISTRIBUTION
MANITOBA AND CANADA, 1961 AND 1971

<u>Year</u>	<u>Age Grouping</u>			<u>Dependency Ratio</u>
	<u>0-14</u> %	<u>65+</u> %	<u>15-64</u> %	<u>(0-14&65+/15-64)</u>
1961 Man.	32.6	9.0	58.4	0.71
1961 Can.	34.0	7.6	58.4	0.71
1971 Man.	29.0	9.7	61.3	0.63
1971 Can.	29.6	8.1	62.3	0.60

Source: Computed from Census of Canada data.

Manitoba is Canada's most culturally diverse province. This is an historical fact of settlement and immigration that today is indicated by the high proportion (26.8 per cent as compared with a national proportion of 13.0 per cent) of the population reporting a mother tongue other than English or French. The major other cultural backgrounds include German, Ukrainian, Polish, Indian (of the Athapaskan, Algonkian and Siouan linguistic groups) and Italian. This diversity of cultural heritage is not limited to the large urban centres but is dispersed throughout rural areas of the province. By and large this cultural diversity cuts across the income levels structure and does not result in class distinction along cultural lines. The major exception to this is the situation of native Indians whose cultural background tends to coincide with economic and social disadvantage.

The native population (Status Indians and Métis) of Manitoba constitutes approximately 7.5 per cent of the total population of the province. It is somewhat unevenly distributed throughout the province, and in the north (CD 16) about 40 per cent of the population are of native ancestry. The native population as a whole tends to be located at the lower end of the economic and social scale and constitutes a visibly disadvantaged group. Solutions to this longstanding problem are actively being sought by both the province and the federal Department of Indian Affairs and Northern Development, as well as by local native associations, the Manitoba Indian Brotherhood and the Manitoba Métis Federation.

During the sixties, a weakening in job creation was reflected in increased levels of net out-migration. The total for the decade was 48,000 as compared to only 4,900 for the previous decade.

As was the case for Saskatchewan, Manitoba experienced net out-migration in every year of the sixties. While the annual average was 4,800, the peak net out-migration occurred in 1966 when just over 13,000 persons left the province. The out-migration pattern was largely the result of the continuing rationalization of the agricultural sector of the economy with some reduced growth rates in other commodity-producing sectors as well.

Manitoba is now a heavily urbanized province. In 1951 the population was 57 per cent urban and 43 per cent rural as compared to 64 per cent urban, 36 per cent rural in 1961. Just under 70 per cent of the Manitoba population now lives in an urban centre. The dominant urban centre in 1971 was Winnipeg, with a population of just over 540,000, representing nearly 55 per cent of the provincial population. The other

three centres of size were Brandon at 31,000, Thompson at 16,000 and Portage la Prairie at 13,000. In total these four cities accounted for 60 per cent of the provincial population. Winnipeg continues to be the major centre of the province. However, its annual rate of growth during the ten years from 1961 was 1.3 per cent--far below that of most of Canada's 19 other metropolitan areas.

There are nine smaller urban centres of note in the province. In 1971 they ranged in size from Flin Flon (9,344) to Virden (2,778). Interestingly enough, it was only these two centres that lost population during the decade, with Flin Flon registering a 20 per cent loss of population. The centre registering the highest growth rate was Steinbach, a predominantly Mennonite town, with a 46 per cent increase. It is noteworthy that the provincial government has adopted a policy of encouraging enterprises to locate in the smaller centres. DREE's agricultural service centres program assists that effort.

Table 2 presents selected economic data for the main urban centres of Manitoba.

Labour Force and Employment

Male labour force participation rates for Manitoba essentially mirror the Canadian participation rates. The female rates of participation for Manitoba, however, are higher than for the nation as a whole and in recent years have registered notable increases. In 1966, the female participation rate was 33.9 per cent and by 1971 this rate had increased to 38.2 per cent. These participation rates for females may be interpreted as reflecting not only the rising employment opportunities in the services sector, especially in Winnipeg, but also the need for many females to enter the labour market to supplement or substitute for the incomes earned by their husbands.

Due to fairly modest growth in the provincial economy, Manitoba's labour market has been characterized by low rates of growth. From 1961 to 1971, both the labour force and employment expanded at annual rates that were about one-half of those achieved at the national level.

Since 1961, the provincial labour force has increased at an average rate of 1.5 per cent annually as compared to 2.8 per cent at national level. The lower provincial growth rate would have been higher had out-migration of residents been less. This average increase, of course, covers significant

TABLE 2

SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES IN MANITOBA

1960-63 -- 1966-71

	<u>Population</u>		<u>Total Taxable Income</u>		<u>Value of Retail Sales</u>		<u>Value of Mfg. Shipments</u>	
	<u>1961</u>	<u>1971</u>	<u>1963</u>	<u>1969</u>	<u>1961</u>	<u>1966</u>	<u>1960^a</u>	<u>1968</u>
			\$M	\$M	\$M	\$M	\$M	\$M
Winnipeg (Metro)	476,543	540,262	736.4	1,349.1	493.1	624.5	600.2	927.0
Brandon	28,166	31,150	37.7	71.0	35.2	49.3	14.1	27.2
Thompson	3,418	16,219	n/a	n/a	n/a	n/a	n/a	n/a
Portage La Prairie	12,388	12,950	14.2	23.6	13.0	22.0	n/a	n/a
Selkirk	8,576	9,331	n/a	21.5	7.8	11.0	n/a	21.2
Dauphin	7,374	8,891	n/a	18.9	11.7	15.9	2.0	2.0
Flin Flon ^b	11,104	9,344	17.2	28.3	11.5	11.9	n/a	n/a
The Pas	4,671	6,062	n/a	n/a	n/a	7.7	n/a	n/a
TOTAL	552,240	634,209	805.5^c	1,512.4^c	572.3^c	742.3^c	617.3^c	977.4^c
TOTAL PROVINCE	921,686	988,247	1,023.1	1,953.1	766.7	1,066.5	738.5	1,118.8
Major Centres as % Of Province	59.8	64.2	78.7 ^c	77.4 ^c	74.6 ^c	73.8 ^c	83.5 ^c	87.4 ^c

^aValue of production rather than value of shipments.

^bWhile Flin Flon straddles the Manitoba-Saskatchewan border, its total population is included here.

^cFigure relates only to centres for which information is available.

Source: Financial Post, Survey of Markets, 1962, 1965-66 and 1971 editions; Statistics Canada, Census of Canada, 1966, Vol. I, Incorporated Cities, Towns and Villages, Cat.#92-607, and Census of Canada, 1971: Advance Bulletin, Cat.#92-754 AP-3.

variations in annual growth; for example in 1967, the labour force grew by only 1,000, whereas in 1971 it increased by 10,000 to 390,000 (Table 3).

During the ten years from 1961, employment in Manitoba increased from 326,000 to 371,000, a 1.4 per cent annual increase, compared with a 2.9 per cent increase at the national level. Some significant shifts between sectors took place and these changes reflected the continuing diversification of the provincial economy and the lessened dependence on the primary resource industries.

The number of jobs in the services sector of the economy grew significantly during the decade. The services sector employed an estimated 87,000 persons by 1970; considerably above the volume of 1961, when 53,000 were employed. No other sector of the economy recorded such sizeable gains; in fact, the employment trends in each of the primary sectors, except for mining, were stable or showed a diminishing employment force. For example, the province has estimated that employment in agriculture decreased over the decade from 59,000 to 49,000 by 1970. Manufacturing, on the other hand, showed an increase of 9,500 over the decade.

The trade, administration, finance and construction sectors of the economy all recorded increases in employment over the decade. The transportation, communication and other utilities sector displayed a levelling off.

During the sixties, the number of unemployed averaged about 13,000 annually. The number was significantly higher at the beginning and end of the decade but much lower in 1965, 1966 and 1967. The 19,000 unemployed people in 1971 was the highest level recorded in the 1961-71 period. The unemployment rate for Manitoba, while always below that for Canada, varied between 2.5 per cent of the labour force in 1966 to a high of 5.0 per cent. These rates would likely have been higher if the rate of out-migration had not been so great.

Economic Indicators

The Gross Provincial Product (GPP) of Manitoba in recent years has declined as a percentage of the Gross National Product of Canada. This has been a gradual erosion rather than an abrupt change and for the most part records the overwhelming advances generated by such provinces as British Columbia, Alberta and Ontario rather than a severe weakness in Manitoba.

TABLE 3

MANITOBA'S LABOUR MARKET--SELECTED INDICATORS, 1961-72

Year	Labour Force	Employment	Unemployment	Unemployment Rate		Labour Force Participation Rates					
				Man.	Canada	Total	Male		Female		
						Man.	Canada	Man.	Canada	Man.	Canada
	- Thousands -			- % -		- % -		- % -		- % -	
1961	342	325	17	5.0	7.1	n/a	54.1	n/a	79.8	n/a	28.7
1962	343	328	15	4.4	5.9	n/a	53.9	n/a	79.1	n/a	29.0
1963	343	328	15	4.4	5.5	n/a	53.8	n/a	78.5	n/a	29.6
1964	347	335	11	3.1	4.7	n/a	54.1	n/a	78.1	n/a	30.5
1965	355	345	10 ^a	2.8	3.9	n/a	54.4	n/a	77.9	n/a	31.3
1966	357	348	9	2.5	3.6	55.1	55.1	76.6	77.8	33.9	32.8
1967	358	348	9	2.5	4.1	55.2	55.5	76.0	77.5	34.8	33.8
1968	372	360	13	3.5	4.8	56.4	55.5	76.5	77.0	36.9	34.4
1969	373	363	10	2.7	4.7	55.6	55.8	75.9	76.6	35.7	35.2
1970	380	363	17	4.5	5.9	55.9	55.8	75.6	76.4	36.6	35.5
1971	390	371	19	4.9	6.4	56.6	56.1	75.4	76.1	38.2	36.5
1972	396	378	18	4.5	6.3	56.7	56.5	75.4	76.2	38.4	37.1

^a Apparent inconsistencies in the table due to rounding.

Source: Statistics Canada, Labour Force, Cat. #71-001.

Table 4 sets out selected GPP indicators which permit the evaluation of growth that has occurred over time and relative to the nation as a whole. It should be noted, however, that inflationary trends have not been taken out, i.e. that the values are stated in current dollars. In this regard, it might be noted that a recent (1972) estimate of the rate of national inflation was 4.5 per cent per annum.

In 1961, Manitoba's Gross Provincial Product, after declining by 2.2 per cent from the previous year, was \$1,891 million. From 1961 to 1971, it increased at an average annual rate of about 7.8 per cent reaching \$4,012 million. It has recently been estimated that the increase in 1972 was 9.7 per cent and the level attained was \$4,400 million. Over the 1961-72 period, Manitoba's GPP as a share of the country's Gross National Product declined from 4.8 per cent to 4.3 per cent.

The GPP per capita continued to record advances during the decade rising from an average of \$2,051 per person in 1961 to \$4,057 ten years later. This increase in value of output per person reflected price as well as production gains. Notwithstanding these increases, the provincial performance in individual years has remained some 5 to 6 per cent below the per capita performance at the national level.

While total personal income has continued to grow in Manitoba, on a per capita basis it too has remained below the national average.

Personal income in Manitoba more than doubled in total between 1961 and 1971 (Table 5). At the beginning of the decade provincial personal income totalled \$1,436 million; by 1971 personal income totalled \$3,165 million, an 8 per cent average annual increase. Some years, of course, there were minimal gains while in other years, especially during the latter part of the decade, sizeable increases were recorded.

Farm income during the decade reflected the effect of wheat sales, growing as a proportion of provincial personal income in years when sales were high and decreasing in the lean years. By 1970, farm income as a percentage of personal income had dropped to 2.6 per cent, lower than the proportion in 1961, but recorded a higher ratio in 1971, i.e. 4.7 per cent. The same general trend was discernible when viewing provincial farm income as a percentage of national personal income.

TABLE 4

MANITOBA'S GROSS PROVINCIAL PRODUCT--
SELECTED INDICATORS, 1961-72

<u>Year</u>	<u>GPP</u> \$M ^a	<u>Annual</u> <u>Change</u> <u>in GPP</u> %	<u>GPP as</u> <u>a % of</u> <u>Canada</u>	<u>GPP</u> <u>Per</u> <u>Person</u> %	<u>GPP</u> <u>Per</u> <u>Person</u> <u>as a %</u> <u>of</u> <u>Canada</u>	<u>Annual</u> <u>Change</u> <u>in GPP</u> <u>Per</u> <u>Person</u> %
1961	1891	-2.2	4.8	2051.6	94.4	-3.8
1962	2109	11.5	4.9	2253.2	97.5	9.8
1963	2174	3.1	4.7	2394.6	98.6	6.3
1964	2394	10.1	4.8	2496.4	95.8	4.3
1965	2550	6.5	4.6	2642.5	93.8	5.9
1966	2735	7.3	4.4	2840.0	91.9	7.4
1967	2994	9.5	4.5	3109.0	95.4	9.5
1968	3289	9.9	4.5	3387.2	96.6	8.9
1969	3487	6.0	4.4	3561.8	93.8	5.2
1970	3665	5.1	4.3	3728.4	92.9	4.7
1971	4012	9.5	4.3	4056.6	94.1	8.8
1972	4400 ^b	9.7	4.3	4435.4	94.2	9.3

^a As elsewhere in this report, all dollar figures are in current dollars.

^b Preliminary

Source: Manitoba Government, Department of Finance.

TABLE 5
 PERSONAL INCOME IN MANITOBA
 SELECTED INDICATORS, 1961-71

<u>Year</u>	<u>Personal Income</u> \$ M	<u>Farm Income as a % of Personal Income</u>		<u>Personal Income Per Capita</u> \$ Man. as a % of Man. Canada		<u>Earned Income Per Capita</u> Man. as a % of Canada	<u>Government Transfer Payments Per Capita</u> Man. as a % of Canada
		<u>Man.</u>	<u>Canada</u>	<u>Man</u>	<u>Canada</u>		
1961	1436	2.9	2.7	1557	94.4	94.5	103.0
1962	1611	8.3	4.2	1721	97.5	97.6	107.0
1963	1647	6.2	4.1	1736	94.3	94.2	103.1
1964	1775	8.4	3.2	1851	95.8	96.3	103.3
1965	1892	8.3	3.5	1961	93.8	94.3	99.9
1966	2039	6.7	3.9	2117	91.9	91.6	102.0
1967	2280	6.3	2.6	2368	95.4	95.9	99.3
1968	2523	6.0	2.8	2598	96.6	97.3	98.6
1969	2703	3.8	2.3	2761	93.8	93.9	96.2
1970	2854	2.6	1.7	2903	92.9	92.5	100.3
1971	3165	4.7	2.0	3203	94.1	94.1	98.1

Source: Statistics Canada, National Income and Expenditure Accounts:
 Historical Revision, 1926-71.

Per capita personal income rose over the decade from \$1,557 per person in 1961 to \$3,203 in 1971. This represents just under a 7.5 per cent annual increase and, even when adjusted for inflation, records the rising standard of living for the average resident of Manitoba.

However, personal income per capita in Manitoba continues to be below the national average. The province still has an economy where the average income is not equal to that earned by the average of all Canadians although the disparity is not as much as in the Atlantic provinces, Quebec or Saskatchewan. The most recent years have witnessed a provincial disparity of between 6 and 8 per cent. The problem is that, when the national economy is expanding rapidly, the Manitoba economy does not record as large an expansion; and when the Canadian economy slows its pace of growth, the provincial economy slows down relatively more.

Average earned income per capita in Manitoba continues to be below the Canadian average. The disparity closely reflects the difference referred to above in the paragraph on personal income, i.e. between 6 and 8 per cent below the national average.

Government transfer payments per capita, as a percentage of the Canadian average, have in recent years in Manitoba been below 100 per cent. Given continuing weakness in job creation, the level of out-migration has been at a high level causing a dampening on unemployment rates; this latter situation apparently has tended to keep the transfer payments down.

Investment per annum in the province almost doubled during the period 1961-71 (Table 6). In the last four years ending in 1971, investment in each year exceeded one billion dollars with the estimate being nearly \$1.1 billion for 1971. Investment in the province as a percentage of total investment in Canada has averaged about 4.5 per cent with 1971 accounting for 4.2 per cent of the national total. Investment per capita as a percentage of the national total dropped in 1971 to 91.7 per cent, but since investment is subject to wide fluctuations this should not be viewed as a trend. As late as 1967 investment per capita was 111.3 per cent of the national total.

In recent years investment in primary industries and construction in Manitoba has been about 17 per cent of total investment. This is slightly above the national share of the two groups. In 1971, Manitoba's investments in housing, institutional services and government departments accounted for 42 per cent of the total. This contrasts with 38 per cent for the group in Canada as a whole. Utilities investment ran at 25 per cent of Manitoba's total (only 20 per cent in Canada).

TABLE 6

INVESTMENT IN MANITOBA--SELECTED INDICATORS, 1961-71

Year	Total Investment ^a		Total Investment Per Capita as a % of Canada	DISTRIBUTION OF TOTAL INVESTMENT BY SECTOR										
	\$M	% of Canada		Total ^b	Primary Industries & Construction		Housing Institutional Services & Gov't Depts.		Utilities		Trade, Finance & Commercial Services		Manufacturing	
					Man.	Canada	Man.	Canada	Man.	Canada	Man.	Canada	Man.	Canada
1961	584.7	5.2	103.6	100.0	17.4	15.4	39.7	38.2	25.9	21.6	9.3	9.0	7.7	15.8
1962	596.4	5.0	99.7	100.0	19.2	15.5	35.2	39.2	28.5	19.7	9.6	8.6	7.5	17.0
1963	675.4	5.3	105.7	100.0	19.6	16.2	33.1	38.3	30.9	20.0	9.1	8.6	7.2	16.9
1964	719.3	4.9	99.3	100.0	20.9	16.6	36.6	36.5	26.5	19.8	7.5	8.5	8.5	18.7
1965	734.2	4.4	89.0	100.0	21.7	16.3	35.4	35.5	23.7	19.6	8.7	8.9	10.4	19.7
1966	860.1	4.4	91.9	100.0	21.3	16.5	35.1	33.9	23.4	19.9	9.3	9.1	10.9	20.6
1967	947.2	4.7	100.2	100.0	21.4	16.7	31.8	35.0	28.6	20.8	8.6	9.0	9.5	18.4
1968	1051.6	5.1	109.7	100.0	19.2	16.3	32.3	37.3	31.8	21.0	6.4	8.7	10.3	16.8
1969	1148.2	5.2	111.3	100.0	18.5	15.8	37.5	37.1	25.8	19.9	8.1	8.3	10.1	17.6
1970	1132.8	4.8	104.6	100.0	17.5	15.6	36.9	35.1	25.0	20.7	8.2	8.8	12.4	19.8
1971 ^c	1076.3	4.2	91.7	100.0	17.5	16.5	41.9	37.8	25.4	20.4	7.3	8.2	7.9	17.1

^a Total investment = total new capital and repair expenditures on construction and machinery.

^b Because of rounding, sums may differ from totals given.

^c Preliminary actual data.

Source: Canada, Department of Industry, Trade and Commerce & Statistics Canada, Private and Public Investment in Canada Outlook and Regional Estimates, SC Cat. #61-205, various issues.

Manufacturing investment accounted for a further 8 per cent and trade, financial and commercial services, for 7 per cent (18 and 8 per cent respectively in Canada).

The Manitoba economy has been more dependent upon the output of its services sector than has the national economy. This has been largely due to the fact that both Manitoba and its key city, Winnipeg, have traditionally acted as a major service centre for the whole of the western region. In 1970, for example, the services sector in Manitoba accounted for 64 per cent of the net value of provincial production compared to 58 per cent at the national level. Manufacturing, on the other hand, has had far less significance in Manitoba, accounting for 13.5 per cent of the net value of production, than nationally, where it accounted for 23.5 per cent. Relative to other parts of the western economy, however, activity in both services and manufacturing has shown a decline in recent years.

Tables 7 and 8 show the net value of production of the Manitoba economy during the sixties. Table 7 shows, for the province and Canada, the proportional distribution by industrial sector in 1961 and 1970. Table 8 deals with net value of production for the province in dollar terms and relates percentage increases in Manitoba to the Canadian economy as a whole during the nine years from 1961 to 1970.

It is estimated that total value of output in Manitoba increased by 94 per cent during this period from \$1,891 million to \$3,665 million. During the same period Canada enjoyed a 116 per cent increase. The strongest advances in the provincial economy were recorded in mining, construction and electric power although manufacturing at \$212.6 million and the services sector of the economy at \$1,132.9 million, were the largest growth sectors in volume terms. The forestry and fishing industries declined in value during these nine years; the forestry decline was in contrast to a stabilization in the national trend, whereas the fishing industry in Manitoba decreased while the national increase was quite significant.

The distribution of output by economic sector within the Manitoba economy did not register significant changes in its structure during the nine years from 1961-70. The largest changes were recorded in manufacturing, which declined in relative value by 1.6 percentage points, and mining, which increased by 1.5 percentage points. The agricultural sector declined by 0.6 percentage points which was half the relative decline for the nation as a whole. The manufacturing decline in the province was less than the national decline of -2.8 percentage points and the country did not record as large a

TABLE 7
 STRUCTURAL CHANGES,
 MANITOBA AND CANADA, 1961-70

<u>Sector</u> ^a	<u>Net Value of Production</u>					
	<u>M a n i t o b a</u>			<u>C a n a d a</u>		
	<u>1961</u> %	<u>1970</u> %	<u>Change in</u> <u>Relative</u> <u>Weight of</u> <u>Industry,</u> <u>1961-70</u>	<u>1961</u> %	<u>1970</u> %	<u>Change in</u> <u>Relative</u> <u>Weight of</u> <u>Industry,</u> <u>1961-70</u>
Manufacturing	15.1	13.5	-1.6	26.3	23.5	- .8
Construction	7.1	7.9	+0.8	7.0	7.2	+0.2
Agriculture	6.9	6.3	-0.6	4.5	3.3	-1.2
Mining ^b	4.4	5.9	+1.5	4.4	4.5	+0.1
Electric Power	2.0	2.1	+0.1	2.1	2.0	0.1
Forestry	0.2	0.1	-0.1	1.7	0.8	-0.9
Fishing	0.2	0.1	-0.1	0.3	0.2	-0.1
Trapping	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL GOODS- PRODUCING	36.0	36.0	0.0	46.3	41.6	-4.7
Services Residual ^c	<u>64.0</u>	<u>64.0</u>	<u>0.0</u>	<u>53.7</u>	<u>58.4</u>	<u>+4.7</u>
GPP	100.0	100.0	-	100.0	100.0	-

^a Ranked by size of net value of production or value added in Manitoba in 1961.

^b Derived from preliminary data.

^c Residual figures obtained by subtracting the value added by the goods-producing industries from the GPP. As an estimate of net value of production of the services sector, these figures should be interpreted with caution.

Source: Computed from Statistics Canada, Survey of Production, 1970, Cat. #61-202, and Table 4 above.

TABLE 8
 OUTPUT GROWTH IN MANITOBA
 BY INDUSTRY SECTOR, 1961-70

<u>Sector</u> ^a	<u>Net Value of Production</u>			
	<u>M a n i t o b a</u>			<u>C a n a d a</u>
	<u>1961</u> \$million	<u>1970</u> \$million	<u>% Increase</u>	<u>% Increase</u>
Mining	82.6	215.2 ^c	160.5	124.7
Construction	134.3	289.4	115.5	119.8
Electric Power	37.9	77.0	103.2	102.9
Agriculture	131.3	233.0	77.5	60.6
Manufacturing	284.6	497.2	74.7	92.1
Trapping	1.6	2.0	25.0	12.8
Forestry	4.3	2.9	-32.6	2.5
Fishing	<u>3.2</u>	<u>2.1</u>	<u>-34.4</u>	<u>84.3</u>
TOTAL GOODS- PRODUCING	679.7	1318.8 ^c	94.0	93.5
Services Residual	<u>1211.3</u> ^b	<u>2346.2</u> ^b	<u>93.7</u>	<u>134.5</u>
GPP	1891.0	3665.0	93.8	115.5

^a Ranked by size of percentage increase in Manitoba over the 1961-70 period.

^b See Table 7.

^c Preliminary

Source: See Table 7.

change in mining (0.1 percentage points) as the province did. The only other significant difference when comparing the two economic mixes was the large growth of the services sector for Canada as a whole (4.7 percentage points) versus no change for the province of Manitoba. This difference should, however, be viewed in the light of the Manitoba economy being traditionally more heavily dependent on the services sector than has been the nation.

In terms of fiscal capacity, Manitoba has been one of Canada's less favoured provinces, being some 11 to 12 per cent below the national per capita average.

Table 9 compares the fiscal capacity of the four western provinces to that of the average for all provinces in Canada in selected years.

The all-provinces per capita revenue capacity increased from \$173 in 1963-64 to \$454 in 1971-72. Despite this substantial per capita increase, the relative position of the four western provinces did not change significantly. A comparison of the indices of per capita revenue capacity as shown in Table 9 confirms this view.

In 1963-64 Manitoba's per capita revenue capacity was \$153; in 1971-72 it stood at \$404. On an index basis, these figures represented 88 per cent and 89 per cent respectively, taking the all-provinces average at 100. Manitoba's tax effort increased from 84 to 98 per cent of the all-provinces average over the period.

With respect to the provincial system of social services (health, welfare and education) and their delivery, Manitoba has been in a relatively favourable position. For example, the number of registered active physicians per 100,000 population is now 155, and the number of hospital beds per 1,000 population is 7.23: both figures slightly above the national average. Salaries for teachers are also slightly above the national average and the educational system is well distributed throughout the province. While in general the social services delivery system is good, there are some discrepancies, particularly where factors of geographic isolation are involved. This is an area to which the province continues to devote attention.

PROJECTIONS

What will the future be if Manitoba continues along the path it has been on for the past decade? This section attempts to comment on and forecast some of the current trends in the

TABLE 9

COMPARISON OF REVENUE CAPACITY AND TAX EFFORT

FOR SELECTED YEARS 1963-1972

(Tax Indicator Approach)

	1963-1964			1971-1972		
	Per Capita Revenue Capacity \$	INDEXES		Per Capita Revenue Capacity \$	INDEXES	
		Per Capita Rev.-Cap. -	Tax Effort %		Per Capita Rev.-Cap. -	Tax Effort %
Manitoba	152.76	88.3	84.4	404.07	88.9	98.4
Saskatchewan	184.03	106.4	114.0	396.14	87.0	97.0
Alberta	275.13	159.0	79.6	624.60	137.5	79.2
British Columbia	<u>216.59</u>	<u>125.2</u>	<u>107.9</u>	<u>547.03</u>	<u>120.0</u>	<u>93.2</u>
ALL PROVINCES (10 Provinces)	173.00	100.0	100.0	453.92	100.0	100.0

- Sources:
1. Lynn, James H.: Comparing Provincial Revenue Yields, Canadian Tax Foundation, 1968.
 2. Department of Finance (Mimeo 1971).
 3. Computations by Department of Regional Economic Expansion.

Manitoba economy. It is assumed that most economic forces will not change dramatically, that existing federal and provincial policy mixes will remain broadly the same, and that no major new factors will appear in the near future. This section does not describe what should or could be made to happen--that is the subject of some of the following parts of this paper. This section merely attempts to suggest what might happen if existing trends and policies remain essentially unaltered. Of course, the basic approach to development inherent in subsequent parts is to shift the trends so that the negative aspects of what might happen will not in fact occur.

Agriculture is expected to become a relatively less important part of the economy of Manitoba during the seventies. In line with current provincial and federal initiatives, there will continue to be a diversification of the agricultural sector of the economy in order to reduce the dependence of farms on wheat production. Such a program recognizes the extreme volatility of world wheat sales, although the future long-term trend as now perceived envisages a rising demand for cereal grains as the world struggles to feed its expanding population. It is also anticipated that the demand for beef will continue to rise and that the commercial feedlot will increase in importance in the prairie economy.

It is likely that two other changes, already in evidence, will continue to gain momentum: the commercialization and specialization of the Manitoba farm and the continual depopulation of the rural districts. In evidence of the former already are developments in broiler and egg production, market gardening, hog and beef rearing, and dairying, to name a few. Rural depopulation, that is the abandonment of the farmhouse and very small towns for the amenities and advantages of small and large urban centres, is a trend which became especially evident during the early sixties. It is the result of fewer farms and the pull of higher incomes and different life-styles offered in urban areas.

During the seventies, therefore, we can expect a continuing decline in employment in Manitoba's agricultural sector. Increases in output and farm incomes, however, will have a positive impact on the performance of the economy.

Employment in freshwater fishing within the province has been estimated to be in the order of 3,000 workers. In 1970, 16.3 million pounds were landed, and the net value of fish production within the province was \$2.1 million; this latter figure is contrasted with \$3.2 million in 1961. A major inhibiting factor governing prospects for the seventies appears to be whether water pollution will continue to affect the fisheries adversely. The outlook, in any case, appears to be for declining activity, at least in terms of employment.

The forestry resources of the province are limited by land use and growing conditions in the south and temperature and accessibility in the north. In addition, merchantable sections of standing timber for either lumber or pulp and paper use are small in number. As mentioned previously, the net value of production in the province between 1961 and 1970 declined from \$4.3 to \$2.9 million.

The prospects in the forestry industry have recently picked up particularly as the U.S. economy recovers from the economic slowdown of the last few years. While it is possible that the relatively small industry in Manitoba could benefit in terms of new capital investment from the current rise in external demand, particularly sawmilling, it is more likely that local production will rise only to meet provincial requirements. Thus the state of decline in evidence during the sixties may reverse itself and prompt some limited rise in both employment and production values.

Employment in the Manitoba mining industry is forecast to increase until the middle of the decade as a number of new developments reach the production stage. Thereafter, mining employment may decline as a result of resource depletion. However, the employment gains are expected to slightly exceed the losses, and a net gain in mining employment of about 300 is forecast.

Manufacturing employment, as estimated by the province, reached 50,000 by 1970. Manufacturing activity in Manitoba essentially serves local and regional markets. Some product lines, however, do compete at the national level and in external markets. During the seventies, significant employment growth in Manitoba's manufacturing sector may prove to be most difficult. The changing spatial pattern of the regional market is favouring other areas for new plant locations. External markets are becoming more competitive and less open to import penetration. The required combination of forces and influences does not, in short, appear likely to develop such that they would generate considerable growth in Manitoba's manufacturing sector. Policy interventions could, of course, alter these prospects.

Manitoba possesses substantial long-term energy resources and the demand for energy, especially electric power, is expected to rise during the decade. The number of permanent jobs which would be created, however, is not large, although construction employment could remain significant for a number of years.

The activity-related industries such as transportation, communications and trade will generally grow in response to real increases in commodity output. These, however, are not expected to be very significant without a special development thrust.

During the sixties Manitoba generated some 45,000 new jobs and reached a high of 371,000 jobs in 1971. If the shift of economic activity to Alberta and British Columbia and the lack of dynamic growth in Saskatchewan and northwestern Ontario were to continue, this would dampen employment growth in the province. In this event, it is doubtful if Manitoba's economy could generate as many jobs during the seventies as it did during the sixties; this would then result in an accelerated out-migration.

SOCIAL SETTING

Any development approach for Manitoba must take into account the social setting which influences the decisions of the private and public sectors. This setting in Manitoba is particularly characterized by: cultural diversity; a steady rural to urban shift in population; marked disparities between the northern and southern regions; and by the proliferation of small, local enterprises.

Manitoba, as noted earlier, is Canada's most culturally diverse province, not only in the large urban centres but also in the rural areas. Apart from large numbers of people with British, French, German, Ukrainian, Polish and Italian origin, some 7.5 per cent of the total population is of Indian ancestry.

In Manitoba there is a deep concern about depopulation of rural areas and communities, the shift from rural to urban life-styles, and the problems of social stress arising from some urban crowding. The provincial and local governments are increasingly active in planning and introducing programs to provide opportunities in rural areas, so that people can remain there and still participate in Manitoba's progress. This concern has most recently found expression in the provincial government's stay option which is a renewed effort to provide such opportunities.

There is also concern in Manitoba about disparities between the north and south and the province is, therefore, keen to provide social and economic opportunities for residents of the north. The challenge of the north, however, is very great and its demands upon the limited provincial resources could prove, in the absence of federal assistance, to be onerous.

Although there are large companies throughout the province, and especially in Winnipeg, the general pattern is dominated by small, locally-owned businesses, many of them family enterprises. This can present difficulties in that such enterprises often do not have the managerial skills, time and capital to keep pace with the advancements that are demanded by a very competitive and technologically progressive economy.

OPPORTUNITIES

INTRODUCTION

The foregoing section, presenting a brief socio-economic review of Manitoba, demonstrated that the province has been beset by a number of weaknesses: slow employment generation, resulting in consistent net out-migration; below average levels of personal and provincial prosperity; inadequate fiscal capacity; heavy dependence on resource development and processing; extensive rural out-migration; centralization in Winnipeg; and pressing disparities in the north, particularly in contrast to the south. Manitoba's position, vis-à-vis the national average, has been weak. The same has also been true of its position within the western economy; high growth has characterized British Columbia and Alberta, and slow growth or decline has characterized Saskatchewan and Manitoba.

Over the longer term, as new activities and growth have taken place largely in British Columbia and Alberta, the province of Manitoba has found itself increasingly at the periphery of development rather than at the centre. Its traditional role as the major transportation, distribution and manufacturing centre for the western economy, responding to regional needs, has declined. Entrepreneurs have been increasingly locating their new activities west or east of Manitoba. This polarization, around British Columbia and Alberta to the west and Ontario to the east, has given every indication of continuing and even accelerating unless the public sector were to foster and support a more balanced distribution of growth.

Analysis, based largely on recent trends, suggests that, during the seventies and in the absence of concerted government initiatives, Manitoba should not expect improvement in the relative performance or the spatial distribution of its economy. In fact, the analysis suggests a continued shift of activity, such as is now occurring, which could alter markets for manufacturing products and business services to the detriment of Manitoba's growth.

The economy of the province traditionally has performed relatively favourably and has been fairly responsive to opportunity. Present trends, however, are the result of factors over which the individual participants in economic activity in the province have little influence. Thus, to improve the performance of the economy would require a degree of federal and provincial government initiative to effectively open opportunities to the private sector.

First, Manitoba's prospects for the seventies would be much enhanced by effective government involvement in the further stimulation of the western economy from the Lakehead to Vancouver Island. Within a more dynamic and flourishing region, there would be increased demands for many products and services: supplies and material for resource development; machinery and equipment for processing and manufacturing; foods, beverages and consumer durables and non-durables for a rapidly growing population; transportation, warehousing and distribution services for commodity producers; and commercial, financial and personal services for a more prosperous and larger population. The opportunities for Manitoba would therefore be significantly increased in areas in which it has an historic position and established capability.

The degree to which growth and development can succeed will depend to a large extent on the broad policy framework within which they must operate. Policies articulated at the national level are of very great significance to the potential of any region and that of any province. Strategic initiatives, designed to create significant impact upon future growth, may on occasion require the federal government to examine and modify policies in support of development in the west.

A more flourishing western economy, while essential, will not alone be sufficient to tap Manitoba's full potential for contributing to Canada's economic and social development. A joint Canada-Manitoba development effort might be carried out, bringing both federal and provincial policies to bear constructively on defined objectives. One such objective could be to generate employment and income opportunities throughout Manitoba and improve, in both absolute and relative terms, the performance of the provincial economy. A second objective might be to expand the economic base of a number of secondary centres, as well as Winnipeg, in order to improve their long-term viability and provide rural and urban Manitobans with additional options for both types of economic and social lifestyles. It would probably also be deemed desirable to increase opportunities for rural people and rural communities by encouraging agricultural diversification, rural services, small scale manufacturing and local amenities. Another

objective would perhaps be to increase opportunities for people in northern Manitoba so that they can benefit from current and future economic development through efforts to encourage community stabilization and attachment, local services and community facilities and through resource development consistent with the social and physical environment.

SECTOR OPPORTUNITIES

In the context of a balanced and dynamic western region, in association with a more vital northern Ontario, the range of economic opportunities open to Manitoba would become much different from that which would face it should recent trends be maintained. Many of these opportunities would require a special development effort if governments and the private sector wished to realize them.

It needs to be understood, of course, that economic development is a very dynamic process. The situation is constantly changing. All the opportunities perceived today may not be those realized in a few years from now. Others too may arise. The realization of any or all of them depends on the willingness and ability of individuals, communities and organizations to act.

What then, however, are some of the opportunities which could be pursued during the seventies in Manitoba? In a general sense there may be economic opportunities in virtually every industrial sector and economic region of Manitoba. As noted in the first section of this paper, Manitoba has a fairly well diversified economy. The new opportunities foreseen are really in keeping with that diversification. They are not few and major opportunities but rather a wide range of smaller but yet very significant opportunities.

The economic process and the internal dynamics of the private sector throughout Manitoba may generate growth and employment in a variety of industries and communities, although in many cases this growth would be far from sufficient to meet income and employment demands. There are, however, a number of sectors and areas where, while growth will nevertheless take place, substantially increased opportunities presently appear to exist, and growth objectives might be met, if the more concerted development approach were undertaken.

Immediately following, in this section, a range of the presently perceived opportunities is suggested. The presentation of these opportunities is based on a series of broad and rather general investigations. The essence of the opportunities

is valid; the opportunities could prove possible if action were taken and changes made. The details of the opportunities and particularly the means of realizing them need a substantial amount of further research and investigation.

Major opportunities, then, are suggested for the province's entrepôt activities, certain manufacturing industries, agriculture-linked activities and tourism. Agriculture, while not seen as an employment-generating opportunity, nonetheless can provide a base for other opportunities, particularly through increased output and diversification. These aforementioned opportunities are, not surprisingly, related essentially to Winnipeg and the secondary centres. There are, however, a number of smaller opportunities, most of which would have small capital requirements, which could be drawn into the rural areas and communities. These latter opportunities, which still require specific identification, would be related to food and beverage processing, tourism, wood products, non-metallic minerals and local manufacturing. To bring them to fruition would require a determined and intensive development effort by the public and private sectors.

The northern part of the province has a potential for: increased resource development related to forestry and mining; increased processing; new tourism; local and resource-oriented manufacturing; and supportive service activities. Major opportunities in the north have, in most cases, been identified; minor ones require extra attention. As in the southern rural areas, many opportunities in the north would require a special development effort if they were to be brought about.

Unlike the south, the north has a pressing and extensive social problem that needs even more attention than economic problems. Many people in the north need particular assistance so that they can enter the labour force and take on jobs that become available. Many remote areas require services and facilities linking them to the outside.

Having thus far only introduced what may prove to be the major opportunities for Manitoba, we now proceed to a more detailed discussion of each of them individually. The first of them, as already noted, relates to entrepôt activities and spatially is tied primarily to Winnipeg.

Winnipeg became a transportation and distribution centre before the turn of the century and a wholesaling hub shortly thereafter. These functions were related to its agricultural hinterland, but even more so to the western economy. Given this role, it was not surprising that Winnipeg soon became regarded as the Gateway to the West.

By 1951, Winnipeg had grown to a population of 354,000 with 45 per cent of its labour force engaged in manufacturing, transportation and wholesaling activities.

Since that time, however, there has been a reduction in the rate at which manufacturing activities have grown in Winnipeg. New manufacturing has increasingly been drawn to centres elsewhere in the west, primarily in British Columbia and Alberta. With the rapid growth in the other commodity-producing sectors in those two provinces, the dynamism in the west has shifted. This has resulted, over time, in a relative decline in Winnipeg's--and in Manitoba's--role as an entrepôt: a transportation, distribution, trade and service centre for the western economy.

There are many who believe that Manitoba's major growth opportunity over the seventies--given a more dynamic and better balanced western economy--should, with the application of a concerted development effort, be in a resurgent entrepôt function. This opportunity would be largely concentrated in Winnipeg. Some secondary urban centres might share in the entrepôt developments to a lesser extent.

Individual opportunities related to a resurgent entrepôt function in Manitoba would not be easy gains from a more dynamic western economy. Rather they would be gains that during the seventies would only be attained by diligent and continuing efforts. Both the public and the private sectors would have to be aggressive in their pursuit.

In this context, Winnipeg might provide further services to the region for distribution, warehousing, air-highway-rail operations, consulting, marketing and related financial services. Furthermore, the city could become a greater link between the region and markets in central and eastern Canada, in the north-central United States and, to some extent, in the Pacific Rim countries.

In more specific terms, and by way of example, a major transportation and distribution complex might be developed, with extensive warehousing, inter-modal transfer and other facilities once the proposed railway relocation in Winnipeg is achieved. The relocation would also allow for a revitalized city core and open various opportunities in the services sector.

The Winnipeg airport might be further developed as an international airport, becoming a key centre in the west for flights to Europe, certain cities in the United States and some Pacific Rim countries. Service might be improved to major urban centres in the north-central United States where a number of lucrative markets exist for manufactured goods. This is also an area from which tourist and convention business

could be drawn. These factors could contribute to an expansion, not only of Winnipeg's air passenger and general air cargo role, but also specialty air cargo, distribution and warehousing facilities at the airport, and even, in time, assembly activities.

Regional air service from Winnipeg, particularly to developing resource centres in the north and northwest could be improved. Special efforts could be made to have charter lines expand or establish new operations out of Winnipeg. Finally, as business aviation could provide many benefits, it might be encouraged too. If so, a number of the facilities supporting these functions would have to be improved.

The warehousing activities in Winnipeg would need to be increasingly attuned to technological change and prepared to adopt more efficient methods. This would involve computerization, new management and business techniques, and new equipment for handling goods. If Winnipeg is to flourish as a distribution centre, the maintenance of an applied research centre for the industry in the province could be very important.

A major commercial centre to serve manufacturers in Manitoba and elsewhere in the west might be considered for Winnipeg. Somewhat akin to Place Bonaventure in Montreal or other similar establishments in key commercial manufacturing centres in the United States, it would provide show and display rooms for products, office space, meeting rooms and services for manufacturers, buyers and exporters. This facility would, of course, need to complement the Convention Centre now under construction.

Containerization has been perhaps the key innovation in transportation recently. This country's major railroads are increasingly adopting the process; specialty ports are being designed for this type of cargo and the large trucking companies are also adjusting their services and capital accordingly. Winnipeg moved into container distribution some time ago. It would now be useful to examine additional opportunities for Winnipeg in containerization and related distribution as it pertains to a more dynamic western economy.

According to provincial estimates, employment in Manitoba's manufacturing sector reached almost 50,000 by 1970 and accounted for only 14.0 per cent of the total employment in the province. In recent years, it appears that much of the new growth in manufacturing has tended to go elsewhere in the western economy, largely bypassing both Saskatchewan and Manitoba.

If the recent trends for Manitoba are to be significantly improved upon during the seventies and if its manufacturing sector were going to be a net producer of jobs, selected manufacturing activities would require co-ordinated development strategies aimed at overcoming cost disadvantages. In keeping with this, opportunities would be pursued in: increased production of materials and products for the general regional market and resource industries; increased resource processing for national and world markets; and additional high-value goods for domestic and export markets.

To date, the manufacturing sector in Manitoba, while relatively small, has been quite diversified. During the seventies, the opportunities for new development, rather than being few in number, could be quite numerous and yet individually quite limited in terms of job creation potential. The total collective impact of all opportunities, if promoted by a joint federal-provincial development effort, could be substantial.

These opportunities, which are described in more detail below, are not specific ones which could be immediately recommended to entrepreneurs. Rather, they are a range of best bets that in most cases still require detailed investigation. In addition, some of the opportunities would be realized in any event. Others would require public assistance. Finally, some opportunities could only be located in Winnipeg while many others could be attracted to secondary centres.

Within the manufacturing sector, electrical product industries may present a major opportunity. During the sixties, these industries experienced a high rate of growth in Manitoba, as more than 700 new jobs were added to the 870 that existed in 1961. Manitoba could attract further expansion, offering low-cost transportation, skilled labour and an expanding research base. Also it could offer access to markets that might be developed increasingly within Manitoba and elsewhere in western Canada.

Indications are that this group of industries could experience an employment growth of about 1,000 during this decade. According to this projection, 400 to 600 jobs would be accounted for by the electrical industrial equipment industry and 150 to 200 jobs by the communications equipment industry. Miscellaneous equipment manufacturers and battery manufacturers also could be prominent. While specific action aimed directly at this industry now appears necessary, a favourable growth rate could be achieved through a broad, supportive development approach and changes in the economic climate of Manitoba and the west.

In 1961, the metal fabricating industries in Manitoba accounted for some 3,335 employees; with a growth of 45.7 per cent, employment reached 4,860 by 1969 when some 132 establishments accounted for shipments valued at \$95.6 million.

A recent study has suggested that the growth potential of this industry in the prairie region could be between 4,700 and 7,650 additional jobs during the seventies. The key individual industries in terms of growth potential would be the fabricated structural metal industry, which is tied to heavy construction activity, the metal stamping, processing and coating industry and machine shops.

As its share of that potential growth in the prairie region, Manitoba might gain in excess of 1,500 new jobs in metal fabricating industries by about 1980. In terms of location, most of the past activity in the industry has been concentrated in Winnipeg but it should be possible to attract viable activities to a number of other centres. More favourable regional policies and an active industrial development effort aimed at a number of industries could help to give additional impetus to this sector.

The garment industry, which is the second largest employer (after the foods and beverages group) in Manitoba's manufacturing sector, has potential for significant job creation. It is very well established in Manitoba and currently some 120 companies account for about 7 per cent of the total activity in the Canadian industry and easily dominate the industry in western Canada. In 1971, this industry accounted for \$95 million in sales and approximately 7,000 employees, up from \$84 million and 6,400 employees in 1969.

Manitoba's garment industry, traditionally concentrating on outerwear, pants and sportswear, has been realizing about one-third of its sales in provinces west of Manitoba, one-third in the central and eastern provinces and also a significant percentage in United States markets. The garment industry has been essentially a Winnipeg industry, in that 90 per cent of its employment has been located within that centre. Winnipeg, in fact, is the third largest garment centre in the country.

In recent years, the industry has moved from its traditional role. No longer limited to the production of basic garments, it prides itself in many cases to gains in fashion styling, technology and productivity.

Preliminary studies have shown that, given optimal conditions, the industry has growth potential of up to 10,000 new jobs in the prairie region by 1981. While this figure would appear to be on the high side, it may be realistic to think in terms of Manitoba capturing some 2,000 new jobs. However, since pressing labour shortages are being encountered in Winnipeg, decentralization into secondary centres may be achieved.

Selected measures might be further applied by the public sector to help realize the industry's potential. This development program would need to be carried out in close consultation with the Manitoba Fashion Institute (i.e. the industry's trade association).

Another attractive industry opportunity may be for the agricultural implements industry, a key industry in the machinery group. It has had a history of very high growth in Manitoba; employment, for example, increased from an estimated 520 to 1,670 over the 1961-68 period. Shipments also experienced tremendous growth. In recent years, Manitoba producers increased their share of the market. This trend can be continued, but it will depend on expansions of existing plants and new plant establishments, particularly for heavy-duty farm equipment. The major market would be the prairies and perhaps the mid-western United States. Major opportunities would be in the production of combines, swathers, tillage equipment and other farm equipment.

The public sector might examine closely the opportunities for manufacturing new product lines and then follow up with assistance for expansion of existing firms and, for firms new to the province, promotional programs and inducements to locate in the province. Continued growth of the agricultural implements industry in Manitoba could provide another 650 to 2,000 jobs during the course of the seventies. Spatially, the greater advantages could be obtained by focusing growth in this sector within the Winnipeg area or in secondary centres, close to transportation, a skilled labour force and machinery tooling.

Although the aerospace industry employed some 1,470 workers in Manitoba in 1968, it nevertheless accounted for only 4 per cent of the industry's total across Canada. Manitoba has traditionally been involved in producing engine components, the overhaul of engines, manufacture of small research rockets and air frames. As elsewhere in Canada, the industry in Manitoba has been heavily dependent on export markets and government support.

During the seventies, the industry might create further jobs. The extent of this would depend primarily on the purchasing policy and defence-sharing arrangements of the federal government, policies of the major airlines and, to a lesser extent on further development of a strong research base in Winnipeg.

Both the aerospace and electrical equipment industries could be assisted by the development of an improved research base in Winnipeg. The University of Manitoba and the Whiteshell Nuclear Research Establishment already contribute to this base but complementary elements may be required. Once this was realized, industries which are major consumers of advanced technology could then be drawn to the province.

Aside from the aerospace industry just cited, Manitoba has been fairly successful in developing some of the other transportation equipment industries, in particular, the truck body and trailer manufacturers which have been heavily engaged in the manufacture of buses, benefiting largely from the Canada-United States Automotive Trade Products Agreement. The part of this industry concerned with urban transit buses and electric trackless trolley coaches is presently making use of direct financing from the federal Department of Industry, Trade and Commerce, while the inter-city highway coach and new concept buses for light rapid transit systems in urban areas are being supported by that Department's research and development funding programs. This industry grouping, with emphasis on truck bodies and various types of trailers (rather than buses), could be expanded and create a significant number of new jobs over the seventies--perhaps some 200. Some of the other transportation equipment industries (motor vehicle parts and accessories manufacturers, miscellaneous vehicle manufacturers and motor vehicle manufacturers) might also produce more new jobs.

In 1969 the furniture industries in Manitoba accounted for 2,000 employees in 120 plants and annual shipments of some \$25 million. About 50 to 60 per cent of the total production was sold in markets outside the province--primarily in Saskatchewan and Alberta. Manitoba's production has been related primarily to household furniture and miscellaneous furniture (i.e. bedding, upholstered furniture, display fixtures, etc.). During the sixties, employment in the furniture industry in Manitoba grew very slowly compared to the rates in most other provinces. While many market opportunities exist, the industry will have to be aggressive and well organized during the seventies to improve upon recent performance.

Recent examination of employment opportunities in the prairie region has suggested continued growth in the furniture industries over the period of the seventies. Maximum job-creation potential of 4,200 is possible by 1981 but only 800 to 1,200 of this would appear certain. Given this, and on the basis of recent experience, Manitoba might gain some 400 to 600 with limited potential for perhaps another 1,200 jobs. In realizing their potential, the industries in Manitoba would place heavy emphasis on the utilization of plastics and steel equipment materials, and on penetration of the export markets.

While Winnipeg has become the focal point of the furniture industry in Manitoba, there are real possibilities of attracting new plants to some of the province's secondary centres.

As of 1969, Manitoba had about 1,000 jobs in the chemical and allied products industry grouping. Many firms had located in Winnipeg and a sizeable chemical complex had developed at Brandon where plants established for the production of fertilizers, chlorine, caustic soda and related chemicals. Potential has been suggested in the prairie region for 900 to 1,500 new jobs in these industries by the year 1981 and the possibility for an additional 300 to 1,300 jobs. The key industries in this job creation would be fertilizers, plastics and synthetic resins, industrial chemicals and paints and varnishes. Manitoba's chemical and allied products industry could pursue a number of these opportunities and possibly increase employment to about 1,500 by 1981. Spatially, some trade-off between Brandon and Winnipeg could be explored to determine which centre possesses the better locational advantages for specific activities.

The printing and publishing industries, with 4,125 jobs in 1968, were collectively the fourth largest employer in Manitoba's manufacturing sector. The slow growth rate of recent years is expected to continue and these industries are likely to create only some 300 to 400 new jobs over the seventies. Plastic fabricators are capable of adding another 200 to 500 jobs. Manufacturers of scientific and professional equipment might create another 200 to 300 jobs as might the tanneries. The tire and tube manufacturers could increase employment in retreading activities; other ventures would be more difficult. The prefabricated housing industry offers potential for low capital ventures that might produce in the southern part of the province. The glass container industry also shows good promise. Several other industries could also create a number of new jobs in Manitoba, given expanding markets in the west and supportive measures by governments.

Agriculture-linked activities could possibly contribute about 1,000 new jobs to the Manitoba economy over the seventies. The main opportunities would be within livestock products and processing of grains, oil seeds and vegetables. Feed mills could create another 200 or so jobs. As agriculture-linked activities have extensive linkages, both backward and forward into other sectors of the economy, growth in it can induce significant job creation elsewhere.

This growth in the agriculture-linked activities should prove possible, because world demand for high protein products is most promising for the seventies. Manitoba, like Saskatchewan and Alberta, has excellent resources--both land and human--and long-term experience. The adoption of a concerted development approach, with supportive policies, should be something of a breakthrough in terms of further developing markets, both in Canada and in foreign countries.

Substantial opportunity exists in Manitoba, as in the rest of the prairies, in the slaughtering and processing of beef and pork. The demand for beef is high and will go higher and the supply is presently limited. Manitoba, therefore, has an excellent chance to develop its meat business at all stages from cow-calf operations, piggeries and feedlots to packing houses. Farmers have started to expand their cattle herds and, should the increased supply become available, it is reasonable to assume that major packers would expand their facilities. Currently there is some excess capacity in the western packing plants because of supply problems. In a similar vein there are long-term markets and processing opportunities for pork if farmers can be encouraged to produce additional hogs. In terms of location, Winnipeg, and to a lesser extent Brandon, appear to offer very good possibilities for further beef processing.

Grain and oil seed processing also has considerable potential for growth. Locations in the southerly region of the province would be most suitable because it has a good climate and direct transportation facilities. Brandon has already identified several potential industries which could form a major grain and oil seed processing complex. Considerable research and development in terms of processing and crop production would be required to make this a dynamic opportunity.

Vegetable processing and the dairy products industry also offer some potential, but individual opportunities would be of a smaller scale and in scattered locations. Vegetable processing, including canning, is a possibility in the south. Further development in dairy products could take place in

Winnipeg while cheese plants may be feasible in various parts of the province.

Extended feed mill operations in the province could, as already noted, create some 200 new jobs. Feed mills would probably be scattered throughout the smaller urban centres largely in the southwestern part of the province and the park belt. Growth in this activity would depend on research to determine the implications for prairie feed mills relative to increased prairie beef and pork exports and to determine the extent of possible feed mill export opportunities.

Tourism presents increased opportunities throughout the province in the seventies. In the rural areas, there is potential related to the lakes, rivers, beaches and other resources. The north, too, has potential for fishing, game hunting and camping. Lodges can be established and guide services provided. Winnipeg would be the main attraction for tourists to Manitoba as it draws people for conventions, major sports events and other attractions. Assisting Winnipeg in this role are its planetarium, arts centre, gallery, zoo and numerous other facilities attractive to tourists and pleasure-seekers.

The greater Winnipeg area possesses a rich past which to date has remained relatively unexploited. During the fur trading and frontier days, Winnipeg played a key role in the early exploration and in the opening of the west. Numerous early forts were established in the area which now provide focal points for historic events. Many of the locations are interconnected by the Red River which possesses considerable natural beauty; use of the river for tourist boats and water recreation could be successful if pollution were reduced.

Another tourist potential of the area is a North American winter festival which would include events related to early fur-trapping days and the settlement periods of different ethnic groups.

Winnipeggers are well aware of the uniqueness of their city; a new enthusiasm has developed for the city and its future. Visual evidence in support of this attitude toward tourism is the construction of the Convention Centre whose facilities will be unmatched by most cities twice the size.

Manitoba possesses several towns which were settled and developed largely by one particular ethnic group or another. One example, Gimli, has a large concentration of Icelandic people. Another is Steinbach which is predominantly Mennonite. French-Canadian settlements are numerous. The

cultural background of these communities has survived over the years but has not been actively thought of as an asset to tourism. It is not suggested that each town be a cultural Coney Island, but instead that the richness of these individual cultures be extended to the public interest through the development of specialty restaurants, historical museums, recreation sites, local theatres, historic sites in villages and festive day activities. An Indian village could similarly be established. Winnipeg could serve as a base of operation for tourists who would venture out to the smaller centres either for the day or on circle tours. In any case, the city is in its own right a multi-cultural centre with unique characteristics.

The tourism opportunities individually require in-depth study. While considerable capital would be required, existing attractions could provide the initial impetus. Throughout the planning and development stages, support may have to be available from the public sector.

As previously noted, the opportunities described above presently appear to be real. Some may, however, change over time. Other opportunities, not yet identified, may also arise. The process of identifying and pursuing opportunities must be continuous and flexible. Success in the realization of the opportunities will then only be achieved if the plans are translated into action.

AREA OPPORTUNITIES

In the same way that a concerted effort for development of the potentials of each sector requires integration and new directions for key aspects of that industry, so development of an area requires integration across industry and with other activities within the area. Involvement at both levels is essential both to be effective and to ensure that systems serve people, not the other way around.

An evolving provincial economy provides a dynamic developmental framework to which areas or groups of communities across the province can relate their initiatives. While it cannot be argued categorically that there would be developmental opportunities in every major area, sufficient material has been gathered to indicate that lack of opportunity would be the exception rather than the rule. The likelihood of such opportunity increases substantially with deliberate action to initiate activity and to encourage the emergence of a dynamic well-serviced entrepreneurial capability.

Most of the opportunities (except those which are resource-based or local market-oriented) would, in the absence of policy interventions, probably be drawn to Winnipeg, thereby exacerbating the problem of spatial distribution of both population and industrial development.

A concerted development program for Manitoba, however, could address itself in part to gaining a greater share of new employment and income opportunities for secondary centres, the rural south, and the north. Special measures would need to be adopted and vigorously applied. Such measures, however, could not be pushed to the point that they detracted from the strength of vitality of Winnipeg because the latter is essential to a prospering Manitoba.

Local action aimed at the realization of the opportunities would be crucial to the development program. It would need to account for the fact that perceived opportunities will be continually changing. To be successful, such local action, and many of the opportunities themselves, would require support from government.

In Winnipeg a wide range of entrêpot, manufacturing, tourist and some agriculture-linked opportunities could arise; these could then be followed by consequent opportunities in the services sector. Their development would contribute further to the dynamism of Winnipeg which would then exert a more positive influence on development throughout the whole of the province.

During the seventies, a large proportion of the opportunities in the secondary centres, at least those in the south, could be found in select sections of the food and beverage industries group or in agriculture-based activities. As already noted, the key prospects are the processing of meat, grains, oil seeds and vegetables. Dairies and feed mills could also account for new jobs.

The secondary centres could, with assistance, also gain more jobs in the manufacturing sector--primarily in chemicals and allied products, metal fabricating, furniture and garments, and possibly in the agricultural implement industries. To experience success in gaining new manufacturing, the secondary centres would need a flexible development program with assistance for industrial promotion, improved infrastructure, low-cost and efficient transportation services and industrial incentives. The assistance would have to make these centres very attractive to industry otherwise recent trends in the spatial pattern of new industrialization would be perpetuated. Several industries, if they are to prove viable over the long run, however, would have to locate in a metropolitan area where agglomeration benefits exist.

A number of secondary centres also have unique tourist potential. This could be encouraged under a development program. Success in job creation related to agriculture-linked activities, manufacturing and tourism would, in the secondary centres, also induce further job creation in the tertiary sector--that is, in the provision of services.

In the rural south, the process of agricultural diversification, which is already underway, needs to be further encouraged. Livestock enterprises in particular need to be expanded. The public sector might assist this in a number of ways. Crops other than grains--particularly small vegetables and oil seeds--need greater attention. Aside from basic agricultural activities, some additional processing, tourist activity and small scale manufacturing could be carried on in the rural areas if intensive efforts were applied.

In the rural areas, a development approach would take account of resource potential and would seek to use it fully. Manufacturing opportunities would need to be identified, promoted and, in many cases, assisted. Some additional infrastructure would need to be put in place.

It might well be that the attempt to increase opportunities for rural people, in effect providing them with a stay option, could be the most challenging of all the objectives under a development strategy.

In the north, opportunities exist in mining, forestry, tourism, local manufacturing and services.^{1/} These activities may need to be encouraged by the public sector. Efforts may need to be directed also at the freshwater fishery to increase its productivity and to lessen the labour displacement. Some new jobs might be created on the processing side.

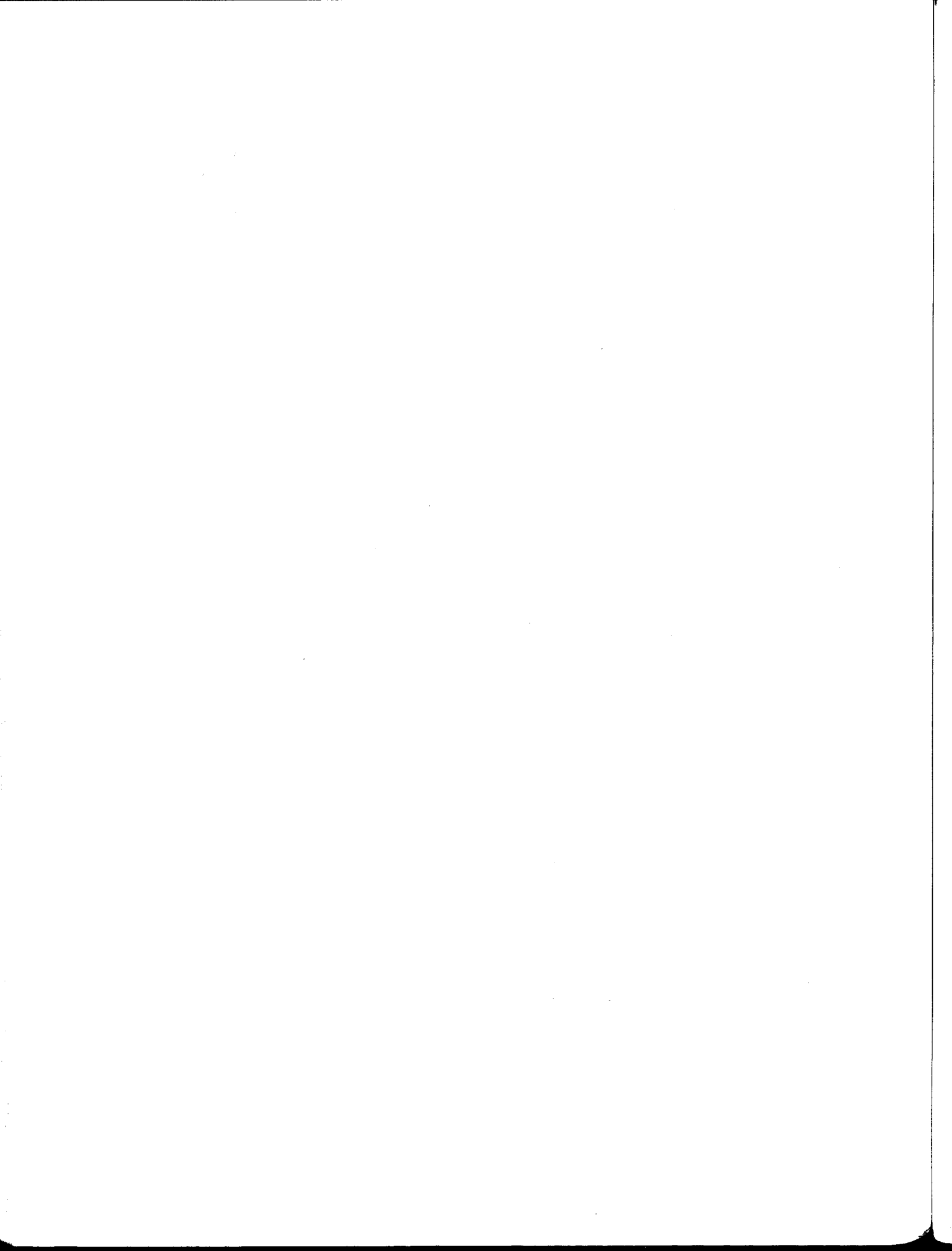
A substantial portion of the province's forest resources are already allocated to existing on-line companies; as a result there is a relatively small potential for forest products expansion in the next twenty-five years. In particular, the development of a softwood plywood plant in the mid-northern area of the province, utilizing spruce and pine, and if possible, integrated with a stud mill, may be the most attractive opportunity.

^{1/} Considerably more detail is provided on the opportunities in the north in an appendix to a companion paper entitled: The Western Northlands: An Approach to Regional Development Policy. That paper also outlines a number of social development opportunities which can be realized through a concerted and co-ordinated development effort.

In the north, given new strength in resource-based developments, additional opportunities can be established in local manufacturing, services, trade, administration, transportation and distribution activities. Tourism would grow fairly independently but would nonetheless benefit from new infrastructure and urban growth caused by activity in the resource-based sector.

Employment opportunities in the primary fishery would probably decline. Improved yields, however, could mitigate these losses. This might be accomplished through investment in research and development designed to increase the fish population in the lakes through a system of partial aquaculture--raising fingerlings in plants for relocation to existing bodies of water. Further investment would be necessary to refurbish and build initial processing plants at strategic fish landing sites. Limited investment in both research and development and in assistance to small initial processing plants could lead to increases in employment opportunities in this activity during and following a four to five year gestation period. It would be necessary, of course, to make sure that steps now being taken to reduce the pollution of Manitoba's rivers and lakes would be continued and, indeed, accelerated.

New economic opportunities in the north are therefore quite limited. Even full development would not be able to stem net out-migration from the north. In spite of this, the key problem is not one of job creation, but rather one of social development and social adjustment for the people. While unemployment is high in the north, it is far from unusual to see new jobs go to outsiders. This is because many of the people in the north lack education, skills and experience. When they do not gain suitable employment, they lack the means to provide for themselves and their families amenities that are commonplace for residents of the southern part of the province. Other factors, of course, aggravate this situation, making the social setting, rather than the economic one, the key area of concern for policy-makers.



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.

