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ATLANTIC REGION

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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ATLANTIC REGION

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

The three Maritime Provinces--Prince Edward Island, Nova Scotia and New Brunswick--together with Newfoundland, are referred to as the Atlantic Region. The Maritimes, with the exception of Prince Edward Island, were among the founding members of Confederation. Prince Edward Island did not join until 1873. Newfoundland only became part of Canada in 1949.

Atlantic Canada is distinguished by its proximity to salt water and the relative importance of resource-oriented industries to its economy. By the majority of economic development criteria, it is the most disparate region in the country.

The region is also distinguished by its diversity. In consequence much of the initiative for developmental action will be required at the local and at the provincial level except for those sectors and undertakings which, it is agreed, will require to be initiated within a broader framework or on a larger scale. It is for this reason that the examples of more immediate and specific opportunities which might be explored are outlined in the papers for each province while the broader issues have been set out in this paper without specific locational reference.

The approach taken to the broad review of policy for the Atlantic Region was not appropriate to the situation in Prince Edward Island. Development activity in the province is encompassed under the Prince Edward Island Development Plan being implemented under the Fund for Rural Economic Development Act (F.R.E.D.). The plan, which has been in operation since 1969, provides for the establishment of a joint federal-provincial mechanism for plan management which has operated with a high measure of success since its inception. This mechanism is also charged with the responsibility for organizing and undertaking a full review and assessment of the economic situation, the results of action to date and the opportunities for further initiatives, all of which will serve as the basis for formulating action for phase II of the FRED

plan to be negotiated within the next two years or less. In consequence, while it is intended that the evolution of the regional framework and the intended initiatives to identify and take advantage of opportunities will in every way encompass Prince Edward Island, no provincial paper has been prepared.

Prior to Confederation in 1867, development in the region depended upon fishing, shipbuilding, lumbering and maritime trade. The latter involved primarily Britain, the West Indies and the United States rather than the rest of what is now Canada.

In 1876, with the completion of the Intercolonial Railway, the Upper Canadian market became accessible to the Maritimes throughout the year. The National Policy of 1879 and the resulting tariffs provided a certain amount of protection to East Coast manufacturers. It is commonly held in the Maritimes that the new tariffs helped Central more than Atlantic Canada with the result that the latter was turned into an important market for Central Canadian goods. While this viewpoint is not unfounded, the National Policy did help Atlantic Canada to some extent. Nova Scotia's steel-making industry, for example, benefited considerably and its fortunes came to be closely associated with the railway booms induced by the National Policy.

Major economic developments in Atlantic Canada during the first two decades of the 20th century are best summarized by province. While Newfoundland remained dependent primarily on her fisheries, two new export commodities were developed: iron ore from Bell Island and pulp and paper. Prince Edward Island remained primarily agricultural but fishing, butter and cheese became export industries of some consequence. In Nova Scotia, the iron and steel industry complemented a thriving mining sector. Indeed, coal, iron and steel were major "exports". In New Brunswick, cotton textile manufacturing assumed considerable importance. Despite these developments, the in many ways promising years up to 1920 soon passed by and Atlantic Canada started to lag seriously behind the rest of the country. Post-World War I adjustments, international trade difficulties, and expansion in Central Canada all contributed to this situation.

One of the most striking economic developments between 1921 and 1951 was the drop in agricultural employment in Nova Scotia and New Brunswick. As the Canadian West opened up, interregional competition in grain production emerged and the Maritimes were forced to concentrate more and more on production for local markets. The number of farms in the region dropped substantially and there was a significant shift in output towards dairy and poultry products. In Prince Edward Island, hog production also increased substantially. Another major development over the thirty-year period up to 1951 was the decline in fisheries employment, especially in Nova Scotia and Newfoundland.

The slack in the regional labour market resulting from these events was picked up to some extent by expanding secondary manufacturing industries but it was the service sector which grew the fastest. The Atlantic Provinces did not develop the new export industries which appeared in many other parts of Canada. Nova Scotia's manufacturing sector, for example, looked much the same in 1951 as it did in 1911. During World War II, defence spending played an important role in the regional economy but this stimulus slackened after 1945.

Between 1951 and 1961, Atlantic Canada continued to lag behind the rest of the country in economic terms. Consequently, whereas the population nationally increased at an average annual rate of 2.7 per cent, the regional growth rate was only 1.6 per cent.

As in previous decades, the Atlantic Region during the 1950s and early 1960s relied heavily on the exploitation of its natural resources as a source of income. While fishing retained its historic relative position in the regional economy, forestry declined somewhat as did agriculture except in Prince Edward Island. Only mining increased in relative significance, led by iron ore output which expanded enormously to reach 7.6 million tons in 1961. All of the iron mines were in Newfoundland. Important base metal discoveries were made in the Bathurst-Newcastle area of New Brunswick during the early 1960s. In Nova Scotia, coal production dropped considerably over the 1951-61 decade to 4.3 million tons at the end of the period.

The manufacturing base in Atlantic Canada remained relatively narrow between 1951 and 1961. However, investment in the sector improved substantially from 1957 onwards. Over the decade as a whole, the compound annual rate of increase in manufacturing investment was 4.9 per cent, a figure significantly higher than the 3.8 per cent recorded at the national level.

Personal income per capita data are available for the three Maritime Provinces on a comparable basis from 1926 to 1971, i.e. for 45 years. They reveal a reduction in the income disparity characteristic of the Maritimes from 34.3 to 26.0 percentage points. Analogous data for the four Atlantic Provinces from 1950 to 1971 show a reduction in the regional income disparity from 33.2 to 28.3 percentage points.

RECENT PAST

Table 1 summarizes economic developments in Atlantic Canada between 1961 and 1971. The decade is analyzed in detail in subsequent sections.

The overall growth performance of the Atlantic Region during the 1960s was reasonably impressive; Gross Regional

TABLE 1

SELECTED ECONOMIC INDICATORS: DECENNIAL RATES OF CHANGE BY PROVINCE/REGION, 1961-71

	Population	Labour Force	Employment	Census Value Added in the Goods Producing Sector ^a	Value of Goods Manufacturing Shipments ^b	Personal Income Per Capita	Investment Per Capita	GNP/GRP/GPP
	%	%	%	%	%	%	%	%
Canada	18.3	32.4	33.4	93.5	101.3	106.2	94.0	134.8
<u>Atlantic Region</u>	<u>8.4</u>	<u>18.4</u>	<u>21.9</u>	<u>117.6</u>	<u>91.0</u>	<u>114.7</u>	<u>149.0</u>	<u>131.2</u>
Newfoundland	14.2	na	na	179.2	97.5	130.1	149.8	161.6
Nova Scotia	7.2	na	na	97.3	97.2	103.3	132.4	117.5
New Brunswick	6.2	na	na	95.7	82.2	120.0	132.5	130.6
Prince Edward Island	6.7	na	na	97.2	101.9	125.3	60.4	137.2
Quebec	14.6	31.5	33.0	79.4	86.1	103.4	66.4	125.5
Ontario	23.5	35.3	35.7	96.1	114.6	103.0	101.1	151.0
Prairie Region	11.5	21.4	121.6	100.6	81.9	114.6	69.1	na
British Columbia	34.1	58.4	60.7	92.0	101.3	96.0	120.5	164.1

^a1961-70

^b1961-69

na: not available

Sources: Computed from various Statistics Canada data sources with the exception of the NB GPP figure which reflects provincial government estimates.

Product rose by 131.2 per cent over the decade ending in 1971, an increase only slightly lower than the comparable figure of 134.8 per cent for Canada as a whole. The only region with a lower rate of growth in GRP was Quebec. The goods-producing sector made greater strides in the Atlantic Region than in any other part of the country. In value added terms, it expanded by 117.6 per cent in Atlantic Canada; the corresponding increase nationally was 93.5 per cent.

Much of the Atlantic Region's relative success was due to the construction and mining industries. Also, an investment boom took place in the area during the 1961-71 period. In per capita terms, investment was substantially higher there than elsewhere in Canada.

Despite the strong performance in goods production and investment, the Atlantic Region continued to experience the highest unemployment rates in the nation. From 1961 to 1972, the average annual regional unemployment rate (8.3%) was some 60 per cent higher than the Canada figure (5.2%). A lack of job opportunities resulted in the area losing a good part of its natural population increase. This is evidenced by the fact that its population and labour force grew by roughly half the equivalent national rates. While the birth rate fell sharply in the Atlantic Region between 1961 and 1971, the national rate declined more rapidly.

Overall, it would appear that while the Atlantic Region gained relatively in some ways during the 1960s, the gains were neither sufficient to change the basic dependence of the area on primary, and oftentimes marginal, activities nor to reduce dramatically the income disparity gap between it and the rest of the country. On the other hand, the income gap did close somewhat.

Population

The population in Atlantic Canada increased by about 163,000 between 1961 and 1971, from 1,897,400 to 2,060,000 or by 0.8 per cent per annum, a rate much lower than the national equivalent of 1.7 per cent. Consequently, the region's share of Canada's population decreased from 10.4 per cent to 9.6 per cent. Table 2 compares the age distribution of the regional and national populations in the two terminal years. It also contains dependency ratios, i.e. ratios showing the number of dependents (children and old people) per member of the economically active (15-64) age group. These ratios generally declined over the 1960s, with a relative increase in the size of the aged population being more than offset by a relative decrease in the number of youngsters. The percentage decrease in the dependency ratio was slightly higher in the Atlantic Region (15.7%) than in Canada (15.5%). However, at both ends of the

1961-71 decade, the regional ratio was substantially higher than the national one. The discrepancy between the region and the nation has persisted over a long period of time. This fact may explain to some extent the continuing per capita income gap between the Atlantic Provinces and Canada.

The birth rate in the Atlantic Region fell sharply over the 1961-71 period from 28.3 per 1,000 to 20.0. The corresponding national figures were 26.3 and 17.3, i.e. the percentage decrease in the national rate (34.2%) was even higher than that in the regional one (29.3%). The death rate also declined in the Atlantic Region, from 8.0 to 7.7. Equivalent national figures were 7.7 and 7.3.

TABLE 2

POPULATION AGE DISTRIBUTION

ATLANTIC REGION AND CANADA, 1961 & 1971

<u>Year</u>	<u>Age Grouping</u>			<u>Dependency Ratio</u> (0-14 & 65 & over/ 15-64)
	<u>0-14</u> %	<u>65 & over</u> %	<u>15-64</u> %	
1961 Atlantic	37.6	7.8	54.6	0.83
1961 Canada	34.0	7.6	58.4	0.71
1971 Atlantic	32.8	8.3	58.9	0.70
1971 Canada	29.6	8.1	62.3	0.60

Source: Computed from Census of Canada data.

As a result of net out-migration, the population of the Atlantic Region increased less over the decade ending in 1971 than it would have done on the basis of natural increase, i.e., the excess of births over deaths. On average, 14,063 more people moved out of the region each year during the 1960s than moved in. Total out-migration between 1961 and 1971 was equal to 7.5 per cent of the region's 1971 population. While net migration was always outwards during the 1961-71 period, it was particularly strong between 1963 and 1966.

Migration is usually highly selective with respect to age, skill level and education. Normally, the most mobile segments of any given population are the well-educated, single people, and the relatively young. These groups usually find it reasonably easy to obtain employment away from their native region. Continuous net out-migration from an area can adversely affect the age composition of the area's population. Dependency

ratios rise, output and productivity levels may suffer, and it becomes more difficult to bring about significant increases in per capita income.

Recent studies suggest that net out-migration does not alleviate a region's unemployment problem as much as was once believed to be the case. A research article completed in 1970 demonstrated that "for every five unemployed persons leaving the Maritime region two people become unemployed".¹

Atlantic Canada was less urbanized than the country as a whole both in 1961 and 1971. However, the level of urbanization in the region increased over the 1960s. In 1961, half (49.8%) of the population was residing in urban areas as defined by the Census.² The equivalent 1971 figure was 55.9 per cent. Comparable data for Canada were 69.6 per cent and 76.1 per cent.

Canada's urban population is concentrating more and more in centres of at least 100,000 people. As early as 1951, 59.2 per cent of the total urban population lived in such cities. By 1966, the figure had risen to 64.3 per cent.

No such trends were discernible in the Atlantic Region. As of 1971, there were only three cities in the region with a population of over 100,000. Twelve other centres fell in the size range, 10,000 to 100,000 (cf. Table 3). The provincial distribution of all centres having more than 10,000 inhabitants was as follows:

Newfoundland	2
Prince Edward Island	1
Nova Scotia	5
New Brunswick	7

Collectively, the centres listed in Table 3 accounted for 32.3 per cent of the total regional population in 1961 and 35.0 per cent in 1971. Metropolitan Halifax was the largest centre being about 1.5 times as large as the next-in-line, Metropolitan St. John's. The total urban hierarchy in the

¹ John Vanderkamp, "The Effect of Out-Migration on Regional Employment", Canadian Journal of Economics, III (November, 1970), 541-49.

² All cities, towns and villages of 1,000 or more population, whether incorporated or not, were classed as urban. The urban classification included the urbanized fringe of all cities where the city and fringe totalled 10,000 or more persons.

TABLE 3

SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES IN THE ATLANTIC REGION

	Population		Total Taxable Income		Value of Retail Sales		Value of Mfg. Shipments	
	1961	1971	1960	1970	1961	1971	1960 ^a	1970
			\$M	\$M	\$M	\$M	\$M	\$M
Halifax (Metro) (NS)	183,946	222,637	189.9	364.8	221.4	370.7	146.5	237.6
St. John's (Metro) (Nfld)	90,838	131,814	75.4	221.2	116.9	221.5	31.6	57.1
Saint John (Metro) (NB)	95,563	106,744	85.1	193.0	102.7	170.1	139.5	241.1
Moncton (NB)	48,840	47,891	42.1	144.0	83.9	103.3	42.0	75.5
Sydney (NS)	33,617	33,230	59.3	194.9	50.3	66.6	na	104.1
Corner Brook (Nfld)	25,185	26,309	18.7	50.3	28.0	50.6	na	54.7 ^b
Fredericton (NB)	19,683	24,254	21.5	88.5	44.7	91.7	11.5	31.2
Glace Bay (NS)	24,186	22,440	59.3 ^d	194.9 ^d	18.2	25.3	2.0	1.6
Charlottetown (PEI)	18,318	19,133	19.1	53.3	35.2	49.3	14.5	25.7
Bathurst (NB)	5,494	16,674	na	36.5	12.3	42.1	na	27.6
Truro (NS)	12,421	13,045	14.2	50.7	21.8	40.5	10.8	30.2
Edmundston (NB)	12,791	12,365	9.9	26.1	13.0	29.2	na	39.2
∞ Oromocto (NB)	12,170	11,427	na	9.1	3.7	6.7	no activity ^c	
New Glasgow (NS)	9,782	10,850	9.8	27.6	17.5	34.5	6.7	11.8
Campbellton (NB)	9,873	10,335	5.0	24.9	12.8	23.1	1.8	6.4
Amherst (NS)	10,788	9,965	na	23.2	17.9	24.6	11.1	22.0
TOTALS	613,495	719,113	na	1,703.0	800.3	1,349.8	na	966.0
TOTAL REGION	1,897,425	2,057,262	1,046.0	3,165.2	1,449.6	2,532.0	942.8	1,814.2
MAJOR CENTRES AS % OF REGION	32.3	35.0	na	53.8	55.2	53.3	na	53.2

na: not available/applicable

^aValue of production rather than value of shipments except in the cases of Halifax, Saint John and St. John's.

^bDatum relates to Census Division No. 5 but overstates the figure for Corner Brook by only about 2 per cent.

^cOromocto is the site of CFB Gagetown and has a negligible quantity of manufacturing activity.

^dSame as Sydney.

Source: Statistics Canada, Census of Canada (Population), Census of Canada (Retail Trade), and unpublished data; Financial Post, Survey of Markets, 1963 and 1972 editions.

Atlantic Region can be portrayed in the following manner:

1971 population over 200,000		1 centre (s)
" "	100,000 - 200,000	2 "
" "	50,000 - 100,000	0 "
" "	40,000 - 50,000	1 "
" "	30,000 - 40,000	1 "
" "	20,000 - 30,000	3 "
" "	10,000 - 20,000	7 "

It can be concluded that the Atlantic Region in 1971 contained only one medium-sized city, seven small ones, and seven large towns on the arbitrary assumption that a population of 20,000 represents the point at which a town becomes a city. What the region lacked was a large or dominant centre, a situation unique in Canada.

In addition to population data, Table 3 presents selected information on taxable income, retail sales and manufacturing shipments for each of the centres listed.

ECONOMIC INDICATORS

Gross Regional Product

Table 4 indicates that in 1971 the Gross Regional Product of the Atlantic Provinces amounted to \$6,066 million. However, this figure represented only 6.5 per cent of total Canadian economic activity as measured by the Gross National Product. In the same year, the Atlantic Region accounted for 9.6 per cent of Canada's population. Consequently, per capita output in the Atlantic Region at \$2,945 or 68.2 per cent of the all-Canada figure was well below the national average. Among the factors contributing to this disparity were the relatively low productivity levels and small employment-to-population ratios characteristic of Atlantic Canada.

Over the 1961-71 period, the average annual rate of growth in the Gross Regional Product was roughly equal to that in the Gross National Product (8.7%). The annual change in Gross Regional Product per person in the Atlantic Region showed an upward trend between 1961 and 1966 with the exception of 1964-65. Between 1965 and 1966, it reached a 10-year high of 9.7 per cent. Subsequent to 1966, it fluctuated considerably. The Atlantic Region's share of the Gross National Product in 1971 was just marginally lower than in 1961. In fact, the Gross Regional Product as a proportion of the Gross National Product remained relatively constant over the 1960s; the average figure for the 1961-71 period was 6.5 per cent. The annual figures varied only slightly from this average. In other words, the Atlantic Provinces produced each year close to 1/15th of total output in Canada. Still, because of the relatively slow growth in Atlantic Canada's population, a relative improvement occurred in per capita Gross Regional Product as a proportion of

TABLE 4
ATLANTIC CANADA'S GROSS REGIONAL PRODUCT
SELECTED INDICATORS, 1961-71

<u>Year</u>	<u>GRP</u> \$ M ^a	<u>Annual</u> <u>Change</u> <u>In GRP</u> %	<u>GRP As</u> <u>A % Of</u> <u>Canada</u> %	<u>GRP</u> <u>Per</u> <u>Person</u> %	<u>GRP</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 GRP</u> <u>Per</u> <u>Person</u> %
1961	2,624	na	6.6	1,382.9	63.6	na
1962	2,796	6.55	6.5	1,451.7	62.8	5.0
1963	2,969	6.19	6.5	1,527.3	62.9	5.2
1964	3,264	9.94	6.5	1,667.0	64.0	9.1
1965	3,550	8.76	6.4	1,803.9	64.0	8.2
1966	3,908	10.08	6.3	1,979.0	64.1	9.7
1967	4,258	8.96	6.4	2,141.9	65.7	8.2
1968	4,664	9.53	6.4	2,322.7	66.2	8.4
1969	5,142	10.25	6.4	2,535.5	66.8	9.2
1970	5,621	9.32	6.6	2,760.8	68.8	8.9
1971	6,066	7.92	6.5	2,944.7	68.2	6.7

na: not available

^aAs elsewhere in this paper, all dollar figures are in current dollars.

Sources: GRP estimates were computed from provincial figures prepared by the Atlantic Provinces Economic Council and the NB Office of the Economic Advisor.

Gross National Product per person. Table 4 shows that the bulk of the relative gain took place between 1966 and 1971, over which period the ratio increased from 64.1 to 68.2 per cent.

Personal Income

Personal income per capita in the Atlantic Region has been consistently well below the national average. Over recent years, however, the region has managed to improve its relative position. Table 5 indicates that, in 1971, per capita personal income in Atlantic Canada was equal to 71.7 per cent of the all-Canada level. This figure compares favourably with the 11-year (1961-71) low of 67 per cent recorded in 1962. The reduction in the per capita income disparity between the Atlantic Provinces and Canada was particularly apparent over the 1965-71 period, during which time the income gap closed from 31.9 to 28.3 percentage points. This situation reflected in considerable measure a relative improvement in the Atlantic Canada investment picture (see below).

Between 1966 and 1971, the average annual rates of increase in personal income for Canada and the Atlantic Region were 9.8 and 10.1 per cent respectively. Within the region, the highest rate was achieved by Newfoundland (11.2%) followed by Prince Edward Island (10.2%). The relevant figures for Nova Scotia and New Brunswick were 9.6 per cent and 9.9 per cent respectively. The corresponding rates for the entire decade (1961-71) were 9.2 per cent for Canada and 8.8 per cent for the Atlantic Provinces.

When government transfer payments are excluded from personal income, the income gap between the Atlantic Region and Canada becomes larger. This stems from the fact that, on a per capita basis, government cash transfers to individuals are above the national average in the Atlantic Provinces. It follows that they account for a higher proportion of personal income in the region than in Canada. In 1971, the relevant figures were 17.2 and 11.3 per cent. The individual provincial figures were Newfoundland (23.7%), Prince Edward Island (20.0%), New Brunswick (15.6%) and Nova Scotia (14.6%). Table 5 indicates that the disparity between the regional and national per capita government transfer payments increased steadily from 1962 to 1966. Subsequently, it decreased more or less steadily. Farm income over the 1960s represented only a very small proportion of total personal income in the Atlantic Provinces. As can be seen from Table 5, it was roughly half as important to the region as to the nation.

Investment

Over the 1961-71 decade, total investment in the Atlantic Region rose from \$842.8 million to \$2,277.3 million (cf. Table 6), an increase of more than 170 per cent. The regional share of total investment in Canada increased from 7.5 per cent in 1961 to 8.9 per cent in 1971. This improvement occurred essentially over the period, 1965-71, in large part because of rapidly increasing levels of investment in Newfoundland.

TABLE 5

PERSONAL INCOME IN THE ATLANTIC REGIONSELECTED INDICATORS, 1961-71

<u>Year</u>	<u>Personal Income</u> \$M	<u>Farm Income as a % of Personal</u>		<u>Personal Income Per Capita</u> Atl. as a % of Canada		<u>Earned Income Per Capita; Atl. as a % of Canada</u>	<u>Government Transfer Payments Per Capita; Atl. as a % of Canada</u>
		<u>Atl.</u>	<u>Canada</u>	<u>\$</u>			
1961	2,159	1.8	2.7	1,138	68.9	66.7	105.7
1962	2,278	1.8	4.2	1,183	67.0	64.5	104.4
1963	2,403	1.5	4.1	1,236	67.2	64.7	107.5
1964	2,576	1.8	3.2	1,316	68.1	65.6	107.7
1965	2,802	1.7	3.5	1,424	68.1	65.3	113.4
1966	3,112	1.1	3.9	1,576	68.4	65.3	118.6
1967	3,436	0.9	2.6	1,728	69.6	66.3	116.2
1968	3,789	1.3	2.8	1,815	67.5	64.0	111.6
1969	4,190	1.0	2.3	2,066	70.2	67.0	111.2
1970	4,582	1.2	1.7	2,250	72.0	69.3	109.1
1971	5,027	0.6	2.0	2,443	71.7	68.4	109.2

Source: Statistics Canada, National Income and Expenditure Accounts:
Historical Revision, 1926-1971.

TABLE 6

INVESTMENT IN THE ATLANTIC REGION -- SELECTED INDICATORS, 1961-71Distribution of Total Investment by Sector

Year	Total Investment ^a		Total Investment Per Capita as a % of Canada	Total \$	Primary Industries & Construction		Housing Institutional Services & Gov't. Depts.		Utilities		Trade, Finance & Commercial Services		Manufacturing	
	\$M	% of Canada			Atl.	Canada	Atl.	Canada	Atl.	Canada	Atl.	Canada	Atl.	Canada
1961	842.8	7.5	72.5	100.0	17.7	15.4	44.3	38.2	16.0	21.6	7.7	9.0	14.4	15.8
1962	927.4	7.8	75.4	100.0	24.8	15.5	41.7	39.2	15.4	19.7	6.9	8.6	11.2	17.0
1963	949.5	7.4	72.5	100.0	21.3	16.2	42.7	38.3	16.3	20.0	7.9	8.6	11.9	16.9
1964	1072.7	7.4	72.4	100.0	21.0	16.6	40.1	36.5	15.4	19.8	9.2	8.5	14.5	18.7
1965	1250.4	7.4	74.3	100.0	16.6	16.3	41.8	35.5	18.0	19.6	8.4	8.9	15.3	19.7
1966	1535.3	7.9	80.0	100.0	16.2	16.5	39.7	33.9	18.1	19.9	7.0	9.1	19.0	20.6
1967	1612.9	8.1	82.8	100.0	16.3	16.7	38.8	35.0	20.1	20.8	6.9	9.0	17.9	18.4
1968	1618.7	7.9	82.0	100.0	14.7	16.3	41.1	37.3	22.5	21.0	7.1	8.7	14.7	16.8
1969	1778.0	8.0	83.9	100.0	13.6	15.8	38.9	37.1	24.5	19.9	7.1	8.3	16.5	17.5
1970	2082.1	8.9	92.8	100.0	14.2	15.6	35.8	35.1	23.2	20.7	6.3	8.8	20.5	19.8
1971 ^b	2277.3	8.9	93.1	100.0	15.7	16.5	38.4	37.8	19.2	20.4	5.3	8.2	21.5	17.1

^aTotal investment = total new capital & repair expenditures on construction and machinery.

^bPreliminary actual data.

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

On a per capita basis, investment in Atlantic Canada was considerably lower than in Canada generally. Still, the region improved its relative position more or less continuously over the 1961-71 decade. This improvement became very noticeable from 1965 onwards. Between that year and 1971, the Atlantic Region/Canada per capita investment ratio increased from 74.3 to 93.1 per cent or by 25.3 per cent for an average annual increase of 3.8 per cent.

On a sectoral basis, significant improvements occurred in the levels of manufacturing and utilities investment in the Atlantic Region relative to the nation between 1961 and 1971. Indeed, over this period, the region's share of total manufacturing investment in Canada increased from 6.9 per cent to 11.2 per cent. Manufacturing and utilities together accounted for most of the overall improvement in Atlantic Canada's relative investment situation during the 1960s.

From 1961 to 1971, the growth in Atlantic Region manufacturing and utilities investment was well above average and the relative importance of these sectors increased sharply. In contrast, a major decline occurred in the relative importance of two other major investment categories, viz. trade, and housing, institutional services and government departments. As can be seen from Table 6, the change in the relative importance of every investment sector was much more pronounced in the Atlantic Provinces than in Canada. Consequently, the sectoral distribution of investment in the region was more in line with the national one in 1971 than it was in the early 1960s.

Output

Changes in the industrial structure of the Atlantic Provinces and Canada over the period, 1961-70, are set out in Table 7. It should be noted that 1970 is the latest year for which official data are available. The most striking fact to emerge from the table is that, contrary to the national trend, the relative importance of the goods-producing sector in Atlantic Canada increased between 1961 and 1970, reflecting mainly strong relative gains by the construction and mining industries. While manufacturing remained the most important goods-producing industry over the 1960s, its weight relative to that of its closest competitor, construction, declined. Indeed the gap between the two narrowed significantly from 6.8 to 1.8 percentage points between 1961 and 1970. On the other hand, manufacturing's relative decline was less pronounced in the region than in Canada.

TABLE 7

STRUCTURAL CHANGES,
ATLANTIC REGION AND CANADA, 1961-70

<u>Industry^a</u>	<u>Net Value of Production</u>					
	<u>Atlantic Region</u>			<u>Canada</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	15.0	12.9	-2.1	26.3	23.5	-2.8
Construction	8.2	11.1	+2.9	7.0	7.2	+0.2
Mining	3.9	5.7 ^b	+1.8	4.4	4.5	+0.1
Agriculture	2.8	1.9	-0.9	4.5	3.3	-1.2
Forestry	2.6	1.2	-1.4	1.7	0.8	-0.9
Electric Power	2.2	2.4	+0.2	2.1	2.0	-0.1
Fishing	2.1	2.1	na	0.3	0.2	-0.1
Trapping	na	na	na	0.0	0.0	0.0
Total Goods- Producing	36.8	37.4	+0.6	46.3	41.6	-4.7
Services ^c	63.2	62.6	-0.6	53.7	58.4	+4.7
GRP	100.0	100.0	na	100.0	100.0	na

na: not applicable/insignificant

^aRanked by size of net value of production or value added in Atlantic Region in 1961.

^bDerived from a preliminary datum.

^cResidual figures obtained by subtracting the value added by the goods-producing industries from the GRP. They comprise domestic factor incomes earned in the service industries, plus indirect taxes, less subsidies, less income paid to non-residents, plus income earned outside the region by residents, and may either overstate or understate the true net value of service output.

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

A comparison of the regional and national economic structures reveals some major differences. The most striking one is that goods-producing industries account for a much smaller proportion of total output in the Atlantic Region than in Canada. In 1961, the relative importance of these industries was 9.5 percentage points lower in the region than in the country as a whole. Over the sixties, this difference diminished; by 1970, the gap amounted to only 4.2 percentage points. The relatively small contribution of the goods-producing sector to the region's output reflects mainly the fact that manufacturing and agriculture were significantly less important in Atlantic Canada than in the nation over the 1961-70 period. The relatively small role of these two industries in the Atlantic Provinces' economy more than out-weighed the relatively large importance in the region of the other goods-producing industries.

As can be seen in Table 8, the fastest-growing industries in the Atlantic Provinces during the 1960s were mining, construction, electric power and fishing. Each had a notably above-average growth record. Moreover, in each instance, Atlantic Canada out-performed the nation by a substantial margin. In the case of the construction industry, this situation was the direct result of the relative improvement in investment expenditures noted above. The upward trend between 1961 and 1970 was especially sharp in the case of mining, reflecting an accelerated exploitation of the iron ore deposits in Labrador. For a number of goods-producing industries, output growth over the 1960s in comparison with the GRP was relatively slow. This fact was also true of the service sector. In the case of each of the slow-growth segments of the regional economy, with the exception of trapping, the regional growth record was less noteworthy than the national one. Similarly, the Gross Regional Product grew less quickly than the Gross National Product.

Labour Force and Employment

The Atlantic Region has traditionally experienced the highest unemployment rates in Canada. Even in periods of "full employment" such as the early 1950s and the mid-1960s, the seasonally-unadjusted unemployment rates for the region sometimes exceeded 10 per cent. From 1961 to 1972, the average annual regional unemployment rate (8.3%) was some 60 per cent higher than the Canada figure (5.2%).

Total employment in the Atlantic Region increased from 507,000 in 1961 to 635,000 in 1972 (cf. Table 9) or at an average annual rate of 2.3 per cent. This percentage figure, however, was heavily influenced by the rapid employment expansion over the 1963-66 period. Since 1965, the average rate of growth has slowed down. Between 1965 and 1972, it was only 1.7 per cent a year, a figure slightly more than half the corresponding national rate

TABLE 8
OUTPUT GROWTH IN THE ATLANTIC REGION
BY INDUSTRY, 1961-70

<u>Industry</u> ^a	<u>Net Value of Production</u>			
	<u>Atlantic Region</u> ^d			<u>Canada</u>
	<u>1961</u> <u>\$'000</u>	<u>1970</u> <u>\$'000</u>	<u>%</u> <u>Increase</u>	<u>%</u> <u>Increase</u>
Mining	101.4	319.8 ^b	215.4	124.7
Construction	216.3	626.7	189.7	119.8
Electric Power	59.0	136.0	130.5	102.9
Fishing	54.8	120.7	120.3	84.3
Manufacturing	393.9	722.9	83.5	92.1
Trapping	0.37	0.62	67.6	12.8
Agriculture	72.3	106.7	47.6	60.6
Forestry	67.5	66.7	-1.2	2.5
Total Goods- Producing	965.3	2,100.2	117.6	93.5
Services	1,658.7 ^c	3,520.8 ^c	112.3	134.5
GRP	2,624.0	5,621.0	114.2	115.5

^aRanked by size of percentage increase in the Atlantic Region over the 1961-70 period.

^bPreliminary datum.

^cSee Table 7.

^dFigures will not equal total of four component provinces due to rounding.

Source: See Table 7.

Table 9

Atlantic Canada's Labour Market - Selected Indicators, 1961-72

Year	Labour Force	Employment	Unemployment	Unemployment Rate		Labour Force Participation Rates					
						Total		Male		Female	
						Atl.	Can.	Atlantic	Canada	Atlantic	Canada
'000	'000	'000	%	%	%	%	%	%	%	%	
1961	571	507	64	11.2	7.1	48.1	54.1	73.1	79.8	23.7	28.7
1962	578	516	62	10.7	5.9	47.8	53.9	72.4	79.1	23.7	29.0
1963	577	522	55	9.5	5.5	46.8	53.8	71.1	78.5	22.9	29.6
1964	588	542	46	7.8	4.7	47.0	54.1	70.5	78.1	23.9	30.5
1965	611	566	45	7.4	3.9	48.1	54.4	70.6	77.9	26.0	31.3
1966	626	586	40	6.4	3.6	48.6	55.1	70.7	77.8	26.9	32.8
1967	635	593	42	6.6	4.1	48.5	55.5	69.3	77.5	27.8	33.8
1968	643	596	47	7.3	4.8	48.2	55.5	68.1	77.0	28.5	34.4
1969	654	605	49	7.5	4.7	48.1	55.8	67.1	76.6	29.3	35.2
1970	658	609	50 ^a	7.6	5.9	47.5	55.8	66.8	76.4	28.8	35.5
1971	676	618	58	8.6	6.4	48.1	56.1	67.1	76.1	29.5	36.5
1972	698	635	63	9.0	6.3	48.6	56.5	67.3	76.2	30.3	37.1

^a Apparent inconsistencies in the table are due to rounding.

Source: Computed from Statistics Canada Labour Force Survey data.

(3.0%). Employment in 1972, however, was 2.8 per cent higher than a year earlier.

The regional rate of expansion over the 1961-72 period was lower for the labour force than for employment. Consequently, the unemployment rate declined--from 11.2 per cent in 1961 to 9.0 per cent in 1972. The regional labour force increased in size by 127,000, a rise of 22.2 per cent. From 1961 to 1966, the unemployment rate fell continuously from the 11.2 per cent figure mentioned previously to 6.4 per cent. But from 1966 onwards, the regional labour force grew faster than employment with the result that the unemployment rate rose continuously to 9.0 per cent by 1972. Over this latter period, the labour force expanded at an average annual rate of 1.8 per cent, a figure equal to nearly three-fifths of the labour force growth rate in the country as a whole (3.1%).

Labour force participation rates in the Atlantic Region in the case of both males and females were well below the national rates between 1961 and 1972 and they remained so consistently. Average annual aggregate participation rates during this period were 48.0 per cent for the Atlantic Region and 55.1 per cent for Canada. The large discrepancy was due to a combination of economic and social factors including differences in employment opportunities, industrial structure, wage rates and levels of education, and the large-scale net out-migration from the region every year. The trend in the national aggregate labour force participation rate was upwards. It moved from 54.1 per cent in 1961 to 56.5 per cent in 1972. No such trend was discernible in the Atlantic Canada rate. With few exceptions, it hovered around 48 per cent; the maximum rate achieved was 48.6 per cent in 1966 and 1972.

Male participation rates declined more or less steadily from 1961 to 1971 both in the region and the country as a whole. However, with the exception of Newfoundland, the decline was faster in the Atlantic Provinces than in Canada. In contrast to the male participation rate trends, the female rates showed pronounced upward trends at the regional and national levels. The size of the increase in the national rate (29.3%) was, however, higher than that in the regional one (27.8%).

Fiscal Capacity

Table 10 illustrates the revenue-generating capacity of all 10 Canadian provinces for the fiscal year, 1971-72. It can be seen that, on a per capita basis, the Atlantic Provinces exhibited a fiscal capacity well below the all-provinces average. This reflected their relatively slim individual and corporate income tax bases. Newfoundland had the lowest fiscal

TABLE 10
FISCAL CAPACITY INDICATORS, 1971-72

(Tax Indicator Approach)

	Per Capita Actual Revenue ^a	Per Capita Revenue Yield at Average Provincial Tax Rates	Per Capita Revenue Yield Index at Average Provincial Tax Rates	Index of Tax Effort
Newfoundland	\$279.15	\$245.27	53.9	113.8
Prince Edward Island	283.99	267.32	58.6	106.7
Nova Scotia	305.76	332.77	73.0	91.9
New Brunswick	376.59	304.73	67.2	123.6
Quebec	436.09	381.82	83.8	114.2
Ontario	497.24	504.96	111.1	98.5
Manitoba	397.64	404.07	88.9	98.4
Saskatchewan	384.08	396.14	87.0	97.0
Alberta	495.01	624.60	137.5	79.2
British Columbia	508.57	547.03	120.0	93.2
All Provinces	453.92	453.92	100.0	100.0

^aFrom 16 major tax sources.

Source: Department of Finance, unpublished data (July 1971).

capacity in the Atlantic Region (46 percentage points below the all-provinces average) and Nova Scotia the highest (27 percentage points below the all-provinces average). Eight years earlier, in fiscal 1963-64, the situation was much the same. The main trends evident between the two dates were a pronounced loss in relative fiscal capacity on the part of Prince Edward Island and relative gains by Newfoundland, New Brunswick and Nova Scotia, particularly the latter.

Table 10 also indicates that, with the exception of Nova Scotia, the Atlantic Provinces made an above-average tax effort in 1971-72. Eight years earlier, with the exception of Newfoundland, they were making a below-average effort.

PROJECTIONS

What will the future be if Atlantic Canada 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 Atlantic Canada's 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 forms a small part of the Atlantic economy. In 1970, as noted earlier, it accounted for only 1.9 per cent of the Gross Regional Product. The sector suffers from a number of adverse factors relating to climate, settlement and tenure patterns, production techniques, transport, marketing costs and product mix. Their severity is likely to persist during the next decade, inhibiting growth and development. Commercial agriculture is expected to remain local market-oriented and thus will probably reflect the growth of regional population and income. Agricultural employment will likely continue to decline but at a slower rate than in the 1950s and 1960s. Growth prospects appear best in connection with the production of fruit and vegetables. There is also some potential for expanded beef and pork production because of the substantial shortfall in regional output relative to local market demand.

Although the utilization rate with respect to Atlantic Canada's forest resources could be improved, future production gains will most likely be achieved through a reallocation of forest lands between competing industrial users. The existing tenure pattern in the region constitutes a major weakness; inter alia, it impedes the supply of sawlogs to lumber producers. It would appear that the sawmill and pulp and paper industries could be competing more and more vigorously henceforth for available resources, especially if existing ownership conditions and

forest management practices remain unchanged. Future prospects will likely involve a greater exploitation of the softwood resource, a more efficient utilization of wood residues, and forest management improvements. Growth in production over the 1970s is expected to be modest and logging employment is likely to undergo secular decline in the face of increased mechanization and a heavier reliance on private woodlots. Indeed, there may be an increased impetus to adopt labour-saving techniques because of the problems associated with the diminishing availability of woods labour in relatively depressed areas such as Northeast New Brunswick.

The world market for fishmeal and fish oil is growing and the Atlantic Region could benefit substantially from the heightened demand. The major problem facing the fishing industry is the reduction in the fish stock available to fishermen stemming from over-exploitation. The inshore fishery would be healthier with a considerable reduction in the number of participants and increased investment. However, slow growth in alternative employment opportunities will likely continue to impede the process of adjustment. During the next decade, value added in the fisheries sector is expected to increase rapidly but there is unlikely to be any expansion in employment. In the case of the fishing industry, of course, value added equals landed value. The expansion foreseen over the 1970s is related much more to price than to volume, i.e. while fish landings may level off or even decline in volume terms because of over-exploitation of the fisheries resource, unit prices will likely increase substantially in line with rising demand.

Mining is relatively more important in the Atlantic Provinces than in Canada as a whole. During the 1960s, mining production expanded rapidly with much of the new activity being associated with the iron ore industry in Labrador. During the 1970s, the major growth prospects should continue to involve Labrador's iron ore industry plus the oil and gas possibilities off the East Coast, and the important potash find in New Brunswick. The main problems will likely arise out of the decline of coal mining in Nova Scotia and New Brunswick.

The manufacturing base of the Atlantic Region is narrow and relatively slow-growing. Most manufacturing employment is associated with resource-based industries and small, low-productivity industries oriented towards local and regional markets. In the past, the lack of a sizable regional market and high transport costs to outside markets combined to constrain manufacturing growth. During the 1970s, the scope for marked gains appears rather limited. Below-average income per capita and a slow-growing population will likely continue to limit the expansion of locally-oriented industries. There are, however, some interesting growth opportunities associated with the oil potential offshore and the unique

deepwater port facilities in the region. The latter could afford substantial cost advantages to refinery, steel and other industrial possibilities oriented towards non-regional markets.

During the 1960s, construction output and employment increased rapidly in the Atlantic Provinces. This expansion was associated mainly with major projects in the mining, manufacturing and electric power industries. Over the next decade, the anticipated new refineries and deepwater facilities should provide a strong impetus to the construction industry, and it is expected to continue growing almost as rapidly in future as it has done in the recent past.

According to the Economic Council of Canada, service-producing industries will provide most of the new jobs in the country over the 1970s. In the Atlantic Region, the relative importance of these industries is expected to increase as the aggregate employment outlook for the goods-producing sector appears less than expansive. However, the rate of employment growth in the service sector in the Atlantic Region is expected to be below the national average because of the relatively slow rates of growth anticipated in connection with population and output. Within the service sector, the transportation, communication and other utilities industry is likely to be one of the most dynamic segments of the Atlantic economy during the next decade. Its growth will reflect in part the advent of the containerization phenomenon, the proposed deepwater port developments, and related activities. Employment in finance, insurance and real estate as well as in community, business and personal services is also expected to increase rapidly in Atlantic Canada but it is anticipated that the regional growth rates will probably be less than their national equivalents.

The foregoing section, it will be recalled, relates to the outlook for the various sectors of the regional economy if past trends continue to prevail essentially unaltered. It has been assumed for purposes of the projection exercise that no major policy changes will be made. In the following parts of the paper, this assumption is relaxed and an attempt is made to identify strategic development opportunities which could be brought to fruition given a coordinated, multi-dimensional effort by the two senior levels of government working in harness as required with private sector interests.

DEVELOPMENT CONSTRAINTS

The two million people who live in Atlantic Canada are dispersed across two hundred and eight thousand square miles in small population groupings and present widely varying historical, cultural, geographic and occupational profiles. There is no centre within the region providing sophisticated urban services and the dominant linkages are with centres outside the region. The internal economic systems providing local goods and services offer little dynamism and are often inefficient; for the main national and international market systems, the region is considered to be peripheral.

Changing technology, world wars and political and economic change have been insufficient to overcome these circumstances. In fact most changes have tended to both strengthen and deepen the supportive and secondary role of the region within the Canadian economic framework. Increasing migration and greater federal financial transfers have been necessary to maintain even a modest economic role, and have often brought other problems in their wake. Out-migration held down unemployment but also kept markets small and stagnant and drained off much potential initiative and energy. Financial transfers maintained essential services but tended to focus priorities less clearly on regional needs and at times tended to constrain the region's capacity to develop new initiatives of its own.

Thus, the evolution of business, corporate, and government institutional structures, activities and practices in the Atlantic Region has occurred within the framework of a largely peripheral economy. The region has tended to be a residual source of labour for more rapidly expanding parts of the country and a peripheral market for national organizations producing both goods and commercial services. The effect of this situation over time has been to slow the rate of progress in building competence and capability in the region to respond to opportunity and change.

In the course of the departmental policy review, assessments were made of nine major economic sectors: agriculture, fisheries, forestry, mining, tourism, housing, retail food distribution, manufacturing and transportation. Deficiencies in the organization, structure and capability of the total private-public system were identified in each sector. Each was found often to be unable to provide effective service, to respond to opportunity or to solve important problems. Weaknesses were revealed as well in the ability of the

financial institutions and indeed of government at all levels to service in an optimum manner the developmental process in the region.

On a broader plane, the analysis identified a more nebulous problem affecting institutional and sectoral behaviour in the Atlantic Region. The area has been dependent on assistance and support for a long period; this has left its mark on the outlook of the region. It has tended to become a part of the conventional wisdom that only government subsidies or some form of special consideration point the way to achieving prosperity. The result has been to weaken the confidence of the region in its ability to take initiatives and operate independently.

As in other regions, national and international corporate systems working within a framework of government policy provide the economic base on which local decisions and actions are made effective. Inadequacies in the functioning of these systems or in the framework or in both--weaknesses, breakdowns, obsolescence and non-competitive effort--not only result in low levels of activity and high product costs but also inhibit the potential and dynamism of local investors and local activity. Furthermore, it cannot be assumed that government action to strengthen demand will improve performance. Increased funds made available to purchase housing, for example, may simply raise the price of new construction and increase the proportion of components imported by the region.

With all the problems, major investments have been made over the last decade; in recent years, while the rate of investment in manufacturing has been falling in Canada, investment in the Atlantic Region has been rising rapidly. The growth occasioned by this investment has done much to stimulate the economy. At the same time, however, the movement of labour out of the resource industries, particularly forestry and agriculture, has largely offset the employment growth in other areas. Thus, in spite of the absolute increase which occurred in the number of manufacturing employees and the relative improvement in this industry vis-à-vis experience elsewhere in Canada, aggregate employment growth has lagged behind in the Atlantic Region.

In addition, the employment spinoffs or multiplier effects from the growth that has taken place in Atlantic Canada have been less pronounced than industrial relationships elsewhere in the country would have suggested. The proportion of employees in finance, insurance and real estate, and in community, business and personal services is significantly lower in the Atlantic Region than in Canada as a whole. Because these facets of the regional service sector are underdeveloped, the impact on Atlantic Canada of new investment there is less pronounced than one might expect from cognate findings in other regions.

OPPORTUNITIES

INTRODUCTION

Notwithstanding the difficulties, there are assets, advantages and unique characteristics of the Atlantic region that provide wide ranging opportunities and challenges for development at the regional, provincial and community level. These arise from changing technology, emerging markets and changing local aspirations. Intensive joint efforts with the provinces and people in the region, focused on developing these assets could serve to support the emergence of a more viable economic role and social framework for the region. By this means the provinces in the Atlantic region can be encouraged to establish their own economic role and to develop a competence to undertake that role more effectively and profitably to the benefit of the people in the region and in Canada.

The range of possibilities for the region appears to be broad. The region is diverse in the extreme: within its small geography there are wide variations in climate, in resource base, in urbanization, in cultural heritage and in existing development. It may be that for the immediate future the development strength of the economy can be established through actions which encourage development of a wide range of opportunities, some of which, though small in themselves, important to the community in which they are developed and, cumulatively, to the region.

In the Atlantic region, therefore, pursuit of opportunity may be characterized as encompassing three main elements. The first would be to improve the basic viability of the region by taking advantage of the changing technology of transportation to gain much improved access to markets and materials - to change the relationships of the region to the outside world. The second would be to identify the significant economic opportunities and to mount an increased effort to obtain maximum economic and developmental benefits from them. This would be an effort marked by co-ordinated action involving the various levels of government and the private sector. The third would be to utilize the improved

environment created by the first two to encourage increased initiative by the private sector generally.

TRANSPORTATION

Essentially, the transportation systems in the Atlantic region have evolved as a reflection of the needs of commodity-producing sectors. They reflect as well the secondary and supporting role of the region as a supplier of materials to, and a marginal market for, central Canada. These systems function but often only at levels of efficiency and effectiveness that are barely adequate to meet regional needs.

The transportation problems of the region are long standing problems and have been made bearable only at great public expense. Most are related largely to the business of gaining access to central Canadian markets. Others, equally serious, are perhaps less obvious and have had significant influence on the course of development.

Many, if not most, geographic centres in the region have experienced a reduction or elimination of rail passenger service, without the build-up of air services to replace it. This is especially true in the case of travel within the region itself. Air cargo capability has not developed in the system, largely due to the lack of regional orientation and interest. For example, attempts by private cargo carriers to move high value perishable products from the region into the American market were abandoned because of the lack of appropriate facilities and gaps in the system.

Practically all sectors of the economy find great difficulty and expense in utilizing the transport system to penetrate markets. As one result of this, distortions are becoming increasingly apparent in the use of modes, for example, low value-high bulk pulpwood moves from Point Tupper to Ontario by truck. More important than the high costs are the inhibiting effects on the marketing of high quality products. For example, special efforts to market high quality potatoes are handicapped by the vagaries of reefer car availability, and sometimes succeed only in making a high quality product unmarketable as the system takes too long to deliver the product to central Canada from Prince Edward Island. Even at the interface between domestic and international systems, the regional system often slows down or inhibits development. Facilities are not in place in time, or cannot be made available, or the domestic system cannot be integrated with one having international requirements.

These are typical illustrations of a transportation system delivering minimal service at substantial public expense. The nature of the subsidies involved also raises serious questions about the benefits which accrue within the region. Moreover, there are few signs that the system possesses within it the forces, or incentives needed to achieve significant improvement. As a result, it becomes increasingly difficult for either the provinces or the railways to seek solutions other than increases in MFRA subsidy rates or the equivalent in perhaps more sophisticated forms.

Given the difficulties in providing adequate service to the existing structure of economic activity, it is not surprising that little emphasis has been given the role of transportation as a developmental force in itself. Although this is largely a matter of historical tradition, it also reflects an orientation towards national needs and services.

Costs of access to markets and supplies are a major determinant of the basic viability of any region. In the Atlantic region, as indicated, access is inadequate. In the past the main preoccupation has been with transport rates which are, in many cases, a small part of cost of access but are most easily dealt with by subsidy. Meaningful improvement, however, must encompass quality of service including speed, variety and (above all) dependability. One approach would be to invest in the service as a major developmental investment in the expectation that regional traffic would eventually grow to support it. At present, however, it appears that a unique alternative is possible -- the alternative of developing a high return commercially viable transport and distribution system to service international traffic. Such a system described below, would appear to be able to serve the region at both exceptionally high standards and minimum public cost.

The Atlantic Gateway Transportation Concept

Transportation technology now places the Atlantic region midway between two large industrialized areas -- the United States and Europe -- each becoming more dependent upon the economic interchange of commodities between them. The technology involved in this interchange requires a capacity to develop a continuous commodity flow from points within one market to points within the other. This in turn produces a need to minimize modal transfers and, at the same time maximize the use of optimal transport capacity.

In this context, the entire Atlantic region can be regarded as a massive pier forming a point of entry to the North American market from Europe, and point of exit from this

market to Europe. Technology and economics together suggest that the point of modal interchange should be on this pier, or very close to it, in order to avoid alienation of important parts of the total market. Reinforcing this pier concept is the existence at Canso, Saint John, and Come-by-Chance of three unique deepwater ports on the Atlantic seaboard capable of servicing the growing number of giant bulk cargo vessels.

Thus, one major opportunity for development of the Atlantic region would be to alter the regional role to reflect its new geographical position in light of transportation technology and economics. The region could become the point of modal interchange in the commodity flows between two massive markets, and thereby be placed in a key position to become a centre of transportation, packaging and distribution services. Given an appropriate effort to achieve the balance of interests required to ensure the feasibility of an increase the routing through Canada of United States traffic, a major thrust in transportation along these lines could become the basis for a greatly improved service for local goods. The Atlantic would benefit from fast efficient access to Europe as would central Canada and such traffic would be very much in line with policies to diversify Canadian trade.

Components of the System

The concept of the transportation gateway could change the role of the sector from an inadequately responding service to a major driving force in the Atlantic economy. Brought into place in response to international service requirements, the gateway system would improve in almost every aspect the region's access to other economic centres. The system would encompass three main parts: the core, the external links, and the internal connecting systems.

The core of the system would utilize and develop the deepwater terminals at Canso, Lorneville and Come-by-Chance and general and containerized cargo at Saint John and Halifax. Moncton as a central point on the system would be a major point of entry for regional transactions and a point of convergence of traffic from the four ports of the mainland system. System stimulated activity in warehousing, distribution and manufacturing could as well be built up centrally where waterside activity was not a factor.

Opportunities exist as well for including, as part of the gateway core, major air cargo handling capacity serving major air transport markets in North America and Europe. With air cargo, truck, rail and ocean shipping in an integrated system, there would be capacity to provide a range of services

characterized by convenience and efficiency unmatched in North America.

Related to the transportation activity, and made possible by its integration, would be the provision of a superior range of specialized commercial and distribution services. The opportunities would be extensive including major warehousing, container packing and re-stuffing, trucking, brokerages, customs and excise services, communications, trade centres, design, labelling and packaging.

The second essential component of the system would be its external links. The North America cargo could move from and to the gateway into three major markets: the U.S. midwest and central Canada; the U.S. northeast; and the U.S. southeast, the Gulf and the Caribbean. Together, these regions contain a population of some 110 million people. General cargo traffic to these regions from overseas exceeds 23 million tons annually which would generate an inward movement of some 600,000 containers as a minimum, assuming that only one quarter of the general cargo could be containerized. A similar though slightly smaller outbound movement occurs as well. Three separate systems integrated through the intermodal service in the Maritimes would be required to reach the markets.

The first would be a unit train system to move container traffic into the American midwest and central Canada and to provide these areas, in turn, with rapid, dependable, low cost service to Europe. Primary service would be by rail, using integral container trains. Initially, containers would move directly from ship to rail to inland distributor, usually under customs bond. Eventually containers would move from ships to distribution warehouses. Containers of mixed goods would move from distributors to inland stores, by-passing inland warehouses.

A preliminary cost computation indicates that an integral container train service between Chicago and the Atlantic could be provided, at a profit to the railroad, at a price competitive with even the most up-to-date service available on the U.S. east coast. Saint John and Halifax port costs are only a fraction of port costs in the U.S. northeast ports - about 20-25 per cent of corresponding New York costs and less than half those of other U.S. northeast ports.

The second element would be a boat-train system for moving traffic into the American northeast market. The service required would be provided by an integral container train running from an assembly yard to Philadelphia and/or Baltimore with selected intermediate stops. It could start as an extension

of a ship line, carrying only import/export trade - Canadian origin goods could be added once the basic system was in place. Its inland stations would be "ocean ports" something like Nomport and Conport and the system would not engage in U.S. domestic trade at all. Its trains would traverse tracks used by other traffic but its mechanical and commercial identity would be preserved.

Each unit of the boat-train fleet could make two round trips a week (one through; one short). The initial operation, using one train, could therefore offer weekly service to all points (and twice-weekly service to some points) carrying cargo from one ship line. The advantages could be expected to attract other lines to join the new service and to turn their Atlantic services at Atlantic provinces ports.

No large amounts of capital would be needed but piers would have to be provided to move the cargo. The economics of the matter are such that delivery at the boat train's inland stations could be made for the same or less cost to the ship lines as that prevailing at New York. For the customers the boat-train stations would be more favourably located than the piers.

The third element of the external linking system would be a coastal feeder service to and from the American southeast, the Gulf and Caribbean markets. Shipping services along this coast are expensive and difficult. Southeast ports have been served by international ships making a second call after New York and by feeders to international services to and from New York. Congestion and high costs at New York together with increasing costs of ships have made this an awkward high cost system.

On the other hand an international coaster could run from St. John's or Halifax or Saint John, calling at several U.S. south Atlantic ports and on to a Caribbean hub. Connections could be made with deepwater lines and inland services at Halifax and Saint John and at a Caribbean terminal -- probably Kingson. Starting with cargo from and via Halifax and Saint John for the U.S. and beyond the service could make as many U.S. calls as desired, including Puerto Rico, setting down cargo and picking up U.S. cargo to and via Jamaica. This activity and the reverse would be possible so long as the service did not carry U.S. cargo from and to U.S. domestic ports.

The third fundamental part of the gateway concept would include the internal connecting systems and the links of these systems into the gateway. The Come-by-Chance deep port and the coastal service terminal in St. John's would, in part serve locally generated traffic but the Canso-Halifax-Moncton-Saint John

line, the outside links and the constituent components - air services, trucking, distribution, warehousing and other - could be brought into operation entirely on the basis of selling services for international cargo. Thus it would be imperative in assembling these systems, that careful and deliberate steps were taken to build an effective intra-regional system and to facilitate its linkage with the gateway.

With careful design, utilizing both ground and water technology, it would be possible to link all the main geographic parts of the Atlantic region into the basic system. This would mean that nearly all existing commodity flows, in both directions, could derive benefits from a more effective and economic transport system.

These benefits primarily, would lower some transport costs, but would also open many completely new markets providing opportunities for new types of production and more extensive processing throughout the region. Much of this potential already exists but there are barriers in the absence of transportation facilities; or mediocre and unreliable service; or prohibitively high costs or various combinations of all of these factors.

There is every likelihood that the straightforward transportation aspects of the gateway concept will be developed, either in whole or in part. The private sector is already beginning to respond to the economics of the situation. Left to happen on its own, however, the development is apt to fall well short of its potential of achieving maximum benefits locally with respect to distribution, assembly, and marketing activities. Deliberate initiatives would be required to bring these about.

Even more important, however, the development, while of benefit to the region, would not be directed to the broader potential throughout the region. The range of opportunity in each of the provinces and in most areas within each province is extensive. These are explored in their regional aspects below and in detail in the provincial papers. Their realization would depend to a considerable extent on the effectiveness with which the regional links to the gateway system are developed.

PUBLIC SERVICES

The Atlantic region has an economic and social history extending back more than two hundred years. This history, and its reflection in life styles and settlement

patterns, is one of the assets of the region. It is also a part of the difficulties facing development. In many areas of these provinces a relatively stagnant economy over the past half century has seen a deterioration in public facilities, with low levels of new investment in both public capital projects and commercial activity upon which to maintain it.

In common with other slow growth regions, past decades have seen the development of a situation in the Atlantic provinces in which physical facilities, such as roads and municipal services, have failed to keep pace with developments in higher growth areas. At the same time, existing private investment provides a limited base for raising revenues to renew or extend these facilities. The initiation of equalization payments in the 1950's recognized the need to provide additional income to the Atlantic region to prevent this gap from getting any wider. It was never the intention of the equalization payment, however, to compensate for the backlog of deficiencies which had built up over the years. A number of government programs have provided measures to overcome this gap and the current DREE activities in this sector are a continuation of that commitment.

Major advances have been made in all Atlantic provinces with assistance from the federal government through the Atlantic Development Board and more recently the Special Highway programs and Special Areas programs of DREE. This is seen as an integral part of federal policy to encourage economic growth in the region. Indeed there is a very real and direct connection between expenditures in support of public capital facilities and services to development and expenditures in direct support of private economic activity.

In these circumstances effective pursuit of economic opportunities would appear to require continued cooperation with provincial and municipal governments in provision of public capital facilities in support of economic development.

SECTOR OPPORTUNITIES

In each major sector there are a large number of inter-dependent but autonomous activities that, together, generate markets for resources including labour and human skills, products for consumption, and incomes. These systems have evolved in response to many changing factors - technology, markets, socio-political changes, regulation and other measures - and in general provide the framework to confine or guide new action. For example an idea to build houses without basements to save money in rocky

terrain is only feasible if the financial community will agree to adapt its lending practices which may in turn be possible only if something else can be made to happen.

In the Atlantic region virtually all such systems - agriculture, fisheries, housing, air services, mining, food distribution and others - have evolved in an economy operating largely as peripheral to and dependent upon outside systems. Thus, while many opportunities for development exist in the regions, these opportunities are not likely to be realized through initiatives within the region without major and systematic changes in the functions, organization and capabilities of many elements of these sector systems. It is these circumstances that render it unlikely that the private sector, by itself, can encompass enough of the elements to bring about desirable change. On the other hand, with government prepared to take initiatives in areas not easily accessible to the private sector, joint public-private initiatives to restructure these sectors in a systematic manner could give rise to a highly significant improvement in the performance of the Atlantic economy.

The following sections outline the current situation in a number of sectors and indicate the range of opportunities that might be realized given joint decisions to proceed and joint efforts to evolve strategy and initiate action to modify the manner in which these systems function.

Agriculture

There is in the region, an opportunity to develop agricultural production to meet markets in which local requirements provide a competitive advantage and outside markets for specialized, high quality products. The sector is capable of responding to new technology, new markets and new management approaches to obtain substantial increases in value added and in employment in production and processing. There is as well, ample opportunity to pursue more traditional agricultural activity such as beef and related grain production.

Development of agriculture in the region has been constrained in many ways. Judicious choice of product is an essential part of effective use and management of the limited land resource and widely varying climatic conditions. Problems of transportation have put many large potential markets effectively out of reach. Land consolidation is difficult in consequence of historic settlement patterns and high costs of land transfers, while access to supplies, repairs, machinery and finance all inhibit sensitive response.

Equally important, the emphasis of national policies applied within the region has not always been helpful. Probably the most pervasive influence has been a general national policy preoccupation with production. In the west and central Canada where, for different reasons, marketing and supply systems were and are well developed, a concentration on production was perhaps relevant. In the Atlantic region for a variety of reasons the business structures to support a modern agriculture have not been developed and much of what existed is eroding with out-migration from the sector. Thus, development depends upon an integrated approach to all elements of the industry, not just on rationalized production. In fact in the Atlantic region, except for a few commodities, the highest payoff may be from well marketed, high quality specialty products.

There has in fact been a rationalization of Maritime agriculture. Between 1961 and 1971 the number of census farms declined by some 16,113 to 17,078. Farm cash income increased only marginally from \$110 million to \$140 million over the decade of the 1960's. Over 1.9 million acres of land were withdrawn from the sector leaving a total of 3.5 million acres in 1971.

At the same time, while not necessarily serving as a determining factor or economic target, there is a substantial shortfall in production relative to the domestic market. In 1971 some 48 million pounds of beef were produced in the region and 93 million pounds were brought in from outside. Pork production totalled 55 million pounds and 62 million pounds were imported. Production of chicken and fowl of 40 million pounds amounted to two-thirds of the region's consumption and the region was also short 3.4 million dozen eggs. The major constraints on production of these products has been feed costs, reflecting the fact that only a fraction of grain requirements are produced locally.

But beyond these markets for traditional production activity, there are extensive market opportunities for export of carefully selected high value products. The range and quantity of such products, which is extensive even now, would expand substantially as the gateway transport system and the related intra-regional connections come into place. Some of these products could enter the U.S. in competition with or complementary to a wide range of such products produced in Maine, but the bulk could gain relatively easy access to markets on the outbound transportation movements.

One concept explored in some measure was related to the production of fully prepared institutional meals which would be marketed to institutions such as hospitals in high cost urban areas. This would require a highly developed

transportation service which could provide efficient and dependable delivery of product. There is a confirmed demand for such meals and interest in pursuing the concept. At least two large hospitals are being constructed in the United States with reduced kitchen requirements and costs by going totally to frozen and prepared foods. Total advance meal preparation would apparently be well worth pursuing.

These and other opportunities need to be pursued and developed systematically with the private sector. Current limits on production are not set either by the land resource, the labour supply or the market. A reorientation of development in agriculture could certainly arrest the decline in employment, increase incomes and slow the rate of rural migration. Indications are that it would be quite possible to increase employment in agriculture and the processing of agricultural products and substantially increase value added by the sector, as well as its demands for inputs and services.

Fisheries

The Atlantic fishery generated value added in 1969 amounting to \$112 million; approximately 7 per cent of the value added in the goods producing sector. At the same time, however, more than 25,000 people are employed in the fishery and related industry and it is an important reason for existence of many villages and towns scattered along the Atlantic seacoast. Revitalization of the industry could provide increased economic activity for many centres throughout the region and many centres, attempting to organize their development, may find that efforts to orient production to high value specialty fish products could substantially increase their viability.

The opportunities are extensive. In 1972, some 40,000 tons of herring were ground into fish meal and fish oil in Nova Scotia with a very low return from the resource. At the same time, a plant in Yarmouth, packaging herring, kippers and marinated herring in several kinds of sauces as well as other products expects to export this year some 500 containers of these high value products into 19 foreign markets. A crab cannery in Caraquet, unable to use crab claw meat in their canning process now saws off the tops and sells them as hors d'oeuvres at \$4.00 per pound. Many such specialty products and under-utilized species present opportunities for substantial additions to value added by the fishery and, as well, some increase in employment.

Such developments are rare at present. They are not outcomes of the overall fishery production system in the region. They are rather exceptions to it. The opportunities

are too extensive and too relevant to the needs of communities in the region to be left to circumstance in an unresponsive system. Revitalizing that system, in a manner (if possible) to support rural centres, would assist in continuing identification and realization of substantial opportunities.

Currently the Atlantic region fisheries sector is composed essentially of five component sub-systems. These systems, while related largely through pervasive government involvement, tend not to share common objectives nor to respond to similar motivating efforts. The systems concerned are primary production; secondary processing; marketing; co-operatives; and a community decision-making system.

The primary production system embodies decisions that determine the magnitude of catching efforts, the application of technology, the nature, quality and quantity of supply, and the distribution of the landed product. Ideally, in theory at least, this system should be responsible to the fishermen, as individual entrepreneurs making production decisions under conditions of reasonably pure competition. In fact, however, technology and vessel costs have made it all but impossible for any but large processors to raise necessary vessel equity. Government vessel financing programs invariably allocate vessels to specific processors, either by agreement or through processor-guaranteed loans to fishermen. Large processors are able decisively to influence prices paid for offshore fish and, consequently, for the bulk of inshore landings.

The secondary processing system is comprised, for offshore products, of perhaps three large firms which lead the system decisively. These firms manage the primary production system, translate market demand into production schedules, and develop the transportation and marketing systems required. The scale of their operations requires government to shape program intervention with a clear view of the impacts on these operations.

The marketing system, except for isolated products such as salt fish in Newfoundland, is a processor-oriented system. However, depending on size and market strength, a network of dealers and brokers exerts decisive influence on price, quality and market area. This is especially so in the inshore fishery where many fishermen are locked into particular dealer systems by virtue of tradition, conditional working capital schemes and other types of credit requirement. These characteristics are especially pervasive in the lobster fishery -- the main cash generator in the inshore fishery.

A parallel system of co-operatives has evolved in countervailing response to the production, processing and

marketing systems referred to above. These co-operatives have achieved varying results in raising prices to fishermen, but have made little contribution to processing, largely because of small size and limited management, and have had even less impact on marketing mainly because of the geographic fragmentation. Their greatest contribution has been to extend the influence of fishermen throughout production, processing and marketing. Their main potential is their strong community orientation.

The last element, the community decision-making system is, to a considerable extent, more apparent than real. For a great many communities, fishing is the life's blood, but even these communities exert little influence on the availability of services, the development of infrastructure or the long-term development of their main source of economic existence. This results from tradition, lack of capability, lack of funds and the over-riding initiatives taken by more senior levels of government.

The results of the interaction (or lack of it) between these components have to be viewed in the context of government decision-making which pervades them all. Trade policies influence markets; subsidy programs affect vessel numbers and types, plant size and locations, services and infrastructure; conservation and research affect supply and technology.

The result of the interactions of these systems serviced by independently derived programs has been to create a number of anomalies. The main export market in the United States uses Atlantic region raw products to meet U.S. domestic supply deficiencies and to promote and protect American processors. At the same time the Canadian catch from the north-west Atlantic grounds has peaked while Russian, American and Polish catches are still rising; contributing diminishing yield/effort ratios and endangered resource availability. Under-employment throughout the inshore fisheries has brought about substantial deterioration in many communities, even with government subsidies of many types. Fishermen have become quasi-employees for fish processors and development is held back by the lags existing in the application of fisheries research and technology.

Against these trends, any countervailing forces appear weak, and resource oriented government policy directions will likely further restrict supply. Although demand and prices are rising, fishermen appear to be receiving a less than appropriate share of the benefits, and there does not appear to be any change in American policy in sight to permit more extensive Canadian processing. The main market for regional

products is the United States. American tariff policies discriminate decisively in favour of the domestic processing industry and against Canadian products imported in a form suitable for direct consumer use. These policies have been maintained in the face of diminishing American catches. Opportunities appear to exist now to diversify our markets and to utilize more supplies domestically. This may in time result in adjustments in tariffs to permit higher levels of trade activity.

Major intervention into these systems would likely be required to bring about significant adjustments in the performance of the sector. Government initiatives taken in close association with the private sector could support considerable development opportunity that is currently passing by.

The most critical area of action is probably at the community level. Here, capability could be increased to permit the community to take developmental initiatives related to opportunities available to the inshore fishery. The substantial potential for the processing of a variety of high value products, by-products and unused species does not require large, capital-intensive plants. As a part of the community, the co-operatives could play a critical role, but they would require increased plant management and marketing capability together with closer operational ties to make maximum use of existing plant investment. Developments of this kind could affect the majority of fishermen and be spread over the entire region.

The second level of activity might be usefully directed to the production, processing and marketing system described earlier. In production, the main requirement is to increase supply available to existing under utilized processing plants. There are known markets for currently unexploited species (e.g., capelin, dogfish), but largely outside prevailing processing and marketing systems. It has been demonstrated that such markets can be developed through selective efforts (e.g., eels, roe). Related to this is a potential to increase supply through direct negotiation of commodity exchanges. There are a number of countries, with landings totalling some 500,000 metric tons annually, for whom operations in the northwest Atlantic have questionable economics. It may make more sense, for Canada to import their raw catch, and utilize Canadian processing capacity on a custom basis and export processed products to the country involved.

In both processing and catching systems, the evidence is that Canada has not been in the forefront of technology and

the application of scientific research. There are a number of reasons for this, but an important one is the lack of an effective mechanism to translate fundamental research. There are a number of reasons for this, but an important one is the lack of an effective mechanism to translate fundamental research into effective commercial application.

Based on opportunities identified and the constraints imposed by the industry structure, there would appear to be ample room and reward for efforts to improve the system. In these circumstances the federal government, in conjunction with the provinces, could take an initiating role to facilitate a number of activities. Increased employment and value added could arise through efforts to facilitate the catch of unused species and a more extensive processing of products. Opportunities could arise as well from more effective application of technology to maintain catches, including such supply increasing approaches as fish farming, commercial hatcheries, and direct raw material imports. Substantial opportunities also appear to exist in the smaller scale operations of the inshore fishery. The strengthening of the inshore fishery and the communities involved, together with efforts to facilitate a more equitable distribution of benefits by strengthening or creating countervailing forces to processor power could also add significantly to the activity in this sector.

Housing

The housing sector in the Atlantic region provides an outstanding opportunity for generation of development activity both in the production of housing and equally important in the production and manufacture of materials and components used in housing construction. The major gaps in supply evident at present provide a base for substantial expansion in activity. Such activity could well be doubled again assuming the success of the concerted thrust for economic development.

Given the deficiencies and problems in the existing total public-private system for delivery of housing, as set out below, development initiatives in housing will be essential just to close the current gap. Given successful pursuit of the development initiatives across a broad front, failure to take initiatives in housing would not only mean loss of a substantial opportunity but may in the future be judged to have been socially irresponsible.

With no new thrust for development the additional housing needs to 1981 will require nearly double the construction levels of recent years. This would require \$160 million of

additional investment annually and would provide direct employment for some additional 4,000 men. This expansion of activity, together with current levels of production, would generate a market demand for \$200 million to \$260 million of building materials of which about \$65 million would be wood products. Samples carried out in Nova Scotia indicate that at present two thirds of the materials used in housing are imported. Thus in addition to expansion in production of houses there would be opportunities for significantly increasing production and employment by facilitating increased production of building materials and supplies.

Preliminary estimates based on exploiting approximately one-third of the market potential for materials at present levels of construction only, suggest the following:

	<u>Sales</u> \$ million	<u>Employment</u>
lumber processing	9.2	58
woodworking and cabinet	3.3	107
pre-fab housing	4.1	82
particle board	5.1	99
services to wood processing	-	145
primary forest sector (incl. sawmills)	-	500
plastic fixtures, etc.	3.5	65
		200
Total		1256

In addition, opportunities exist for expansion of production of gypsum products, metal and hardware, laminated wood structures, aluminum products, miscellaneous fixtures, plumbing and heating products, non-wood flooring and other products.

The volume increase in housing construction would necessitate the expansion of output in many of the region's existing manufacturing plants. Since rates of existing plant use are not generally known, precise estimates of employment increases are not possible, but an increase of 1,500 is regarded as modest. Thus, the total estimated employment generation would be approximately 2,500. Successful organization of the production process could also undertake to penetrate major markets both domestic and foreign for vacation homes.

These opportunities to use housing as an important development tool tend to be obscured by the focus on housing as a social problem. It appears that this major sector of the economy is unable to respond to the opportunity and by lack of response is alienating more and more of its potential market. For much of the 1960's for example, Canadian housing construction

failed to keep pace with population growth or with increases in the rate of family formation. At the same time, growth in disposable income lagged far behind that required to enable many Canadians to acquire the increasingly more costly housing available. These cost increases have been strong and persistent since the mid 1960s, and have not been restricted to any single factor input: all input costs have risen rapidly producing a total cost increasing at a rate approximately twice the rate of increase in incomes.

Based on performance it is increasingly apparent that the Canadian system for meeting housing needs is producing results hardly in keeping with Canada's postwar thrust towards greater social equality. By 1970, that system was producing a constant number of single family units for the upper middle and higher income classes, but even here only at the expense of reduced size and other aspects of quality. There are also increasing amounts of higher density rental housing for the middle and upper-middle income classes and no commercial housing for the lower and lower middle income classes. In general a situation has developed in which there is such rapidly escalating costs that a significant portion of community needs become more and more alienated from the system itself.

It is within the framework of this overall national scene that the housing industry of the Atlantic region must be examined. And while the national problem is significant, there is every indication that the regional share of it is more than proportionately greater. Costs, already high, are rising rapidly and with incomes lower than in other parts of Canada, the erosion of real income from housing in the region is greater than elsewhere. It appears as well that the impact of national programs is uneven and unrelated to variations in need. In 1971 for example, housing constructed under the N.H.A. loan guarantee comprised 11 per cent of total starts in the Atlantic region but more than 43 per cent in Canada as a whole and 51 per cent in Ontario. At the same time the region received only 6.6 per cent of the funds made available under subsidized low income programs, with 72.2 per cent going to Ontario during 1964-67.

From this and other evidence, it would appear that the system for meeting housing needs in the Atlantic region is even less effective and responsive than that nationally. In the region, the housing construction industry is more fragmented, less capitalized, less subject to economies of scale, more seasonal and less capable of combining factor inputs and technology to produce effective results.

As a portion of total output, construction spending

just about achieves national proportions in the region, but that share of it devoted to residential construction is normally about 25 per cent less. In terms of total units, overall performance in recent years has produced 7-8 units per 1,000 population annually compared with 10 for Canada. Provincial variations in 1971 ranged from 7 units per 1,000 in Newfoundland to 12.2 per 1,000 population in Prince Edward Island under the stimulus of the housing element of the FRED plan.

New housing starts, on a national basis, by 1971 were running slightly ahead of the goal set by the Economic Council of Canada, i.e. 10 new starts per year per 1,000 population. The Atlantic region, however, while doubling the number of new starts between 1966 and 1971, was still producing somewhat below this goal at 8.42 units per 1,000 population. At the same time the rate of shift in Atlantic Canada from single family dwellings to other types of shelter was only about one half of that experienced in Canada in total. Mainly as a response to inadequate production, crowding is heavy and lodger rates are some 30-50 per cent higher than the Canadian average. The incidence of mobile home use in the region has been at twice the national rate since as early as 1968.

In consequence of this constrained performance, in 1966 there were more than 10 per cent fewer household units per 1,000 population in the region than the average for Canada and vacancy rates in most centres over recent years have been close to zero. From the best information available it would appear that the backlog of unmet need of 55,000 units that was recorded in 1966 has risen by approximately 15,700 units over the interval, leaving a current deficiency as the result of the differential in the rate of additions to stock of the order of 70,000 units.

The cost effects are substantial. Between the years 1970 and 1971 the Canadian average cost of a single detached home increased by about \$1,300 to \$22,912. Construction cost per square foot was \$15.44. During the same period the cost of the same unit built in the Atlantic region increased as follows:

HOUSING COST INCREASES - Selected Atlantic Centres for
1970 and 1971

	<u>Total Cost</u>		<u>Construction Cost/ Square Foot</u>	
	<u>Increase</u>	<u>1971 Cost</u>	<u>Increase</u>	<u>1971 Cost</u>
	dollars		dollars	
Halifax	3,152	27,155	.90	17.64
Saint John	4,414	24,865	.22	16.23
St. John's	532	22,795	.25	15.69
Moncton	4,477	20,130	1.31	14.59
Other Region Areas	1,063	21,636	.66	16.03
Canadian Average	1,300	22,912	-	15.44

Although the figures are not readily available to accurately determine what has happened in 1972, there is every indication that costs have again sharply increased. First hand information indicates that per square foot prices to the consumer in areas immediately outside St. John's Newfoundland have risen to \$17.00 - \$18.50 while in St. John's the going rate is \$21.50. Prices of standard homes in a large development in the Atlantic region rose by approximately \$4,000 during the past year.

There are other comparisons that can be made as well. In addition to historic data which indicates that housing in the region is generally older than that elsewhere in Canada, and less well supplied with amenities, recent data suggests other qualitative differences. Houses financed in the region under N.H.A., for example, contain from 6 per cent to 15 per cent less usable space than those nationally and from 8 per cent to 28 per cent less than Ontario. These differentials are highest in single family dwellings.

Aside from the deficiencies in the system inherent in the quantitative and qualitative information above there has been a persistent failure to build a system which links back into the manufacturing sector. Just over half the total acquisition cost of a unit is accounted for by material costs. One survey in Nova Scotia revealed that 67 per cent of all building materials were imported into the region, almost 30 per cent of which entailed the use of wood products. In

housing, use of imported materials represented 73 per cent of apartment construction material use and 63 per cent of other types of residential housing.

The characteristics of the housing system described earlier in part explain this large use of imported building materials. However, existing policies and regulations tend to perpetuate the localized and fragmented nature of the industry. This, together with fragmented markets lacking continuity, have prevented the evolution of sufficient manufacturing capacity to supply these needs.

In total, the regional housing system suffers from important deficiencies. There is a total aggregate unit deficiency in excess of 70,000 units with about half of this deficiency in Newfoundland. In addition to houses there are a number of opportunities to utilize locally manufactured building materials and supplies. The outside limit of these opportunities may well measure some \$300 million to \$400 million annually over the next few years. The industry is increasingly urban oriented in a region with significant rural population and the system itself shows no signs of possessing in it the forces, initiatives or incentives required to make it more responsive to meeting these deficiencies. There exists, rather wide variations within the region in addition to housing stock. Prince Edward Island for example exceeds national average rates, while Newfoundland falls short by nearly 25 per cent.

For the future, on the supply side, if present trends are allowed to prevail unchecked, the general characteristics of the housing stock achieved by 1981 in the Atlantic region would be fairly predictable. There would continue to be higher than national average costs, combined with lower incomes to produce excessive burdens on real incomes. In these circumstances more than 50 per cent of units constructed would require some form of financial subsidy and urban housing would be increasingly high density as well as high cost, regardless of consumer preference. As well the numerical and qualitative deficiencies in the current stock would largely remain, especially in Newfoundland and in rural areas and many people would have only the alternatives of doubling up, or mobile home use.

On the demand side, there is no indication that the people of the region have altered their preference for single family dwellings. This is supported by the increasing use of temporary devices: doubling up, mobile homes, etc. It is also reflected in the significantly higher rates of non-institutional housing and financing, especially in rural areas, where the conventional housing system has little applicability.

In addition to preference, housing demand effectively is a function of income, costs, financing arrangements and increasingly, available public assistance. These are in turn a function of the real estate speculative system, the contractors' capabilities and incentives system, local regulations, and government policies. Thus, any projection of demand trends over time must be much more related to the system to supply housing than to assessed housing needs. On the other hand, housing need is a clear measure of the dimension of a service requirement and a development potential.

The following table contains projected demand to 1981, and three estimates of housing needs to 1981, all measured in terms of new starts required annually. These are considered rough approximations only.

ESTIMATED SHORTFALL IN ATLANTIC REGION HOUSING STOCK BETWEEN
1971 and 1981

	<u>Projected Demand</u> ¹			<u>Calculated Need</u>		<u>Shortfall</u> (Middle Estimate)	
	<u>1971</u>	<u>1981</u>	<u>Increase</u> <u>per year</u> (a) ²	(b) ³	(c) ⁴		
Nfld.	000 units			Housing units per year			
Nfld.	110.4	141.1	3070	7500	5804	6843	3500*
N.S.	207.5	238.0	3050	7800	8137	3994	4500
P.E.I.	27.9	33.9	600	1000	1139	955	400
N.B.	157.6	187.2	2960	6470	6470	4982	3000
REGION	503.4	600.2	9680	22770	21550	16774	11400

Notes:

1. Revised preliminary projections, C.M.H.C. July, 1971
 2. Nfld. Royal Commission on Economic Prospects; P.E.I.: Dept. of Development; N.S.: N.S.H.C.; N.B.-DREE.
 3. DREE - to reflect E.C.C. guidelines
 4. DREE - trend growth plus removal of shortfall as of 1971
- * annual rate reflects large replacement of sub-standard units.

The demand projections are in line with the average annual rates achieved in the 1960's: 8,150 units per year, 1962-66; and 10,600, 1967-71. This trend projects past income/cost relationships and supply shifts. The calculations of need all tend to restrict the housing "mix" to about current proportions, and include in varying degrees new units required to bring the housing stock up to national standards.

The estimates of need are indicative of levels of desirability rather than probability. The gap or shortfall between the two concepts of demand and need is a measure of what could be done. It cannot, however, be done by the present system unaided, and attempts to close the gap simply by public purchase of the product will only reinforce the existing system and drive up costs.

In summary, to carry out its service function adequately the housing industry would have the opportunity to supply over the next ten years some 114,000 units more than trend projections would indicate. Thus, there could be a total requirement - order of magnitude - exceeding 200,000 units, or some 20,000 units annually on a sustained basis for the next ten years.

It is apparent that the potential opportunities are likely to be realized only by large-scale and direct initiatives affecting the system itself. Experience in Canada has demonstrated that financial manipulations and the like are ineffective; that subsidies aimed at particular factor inputs only support the present system rather than effect change; and that the end result is that perhaps half the regional housing need can only be met through direct subsidy.

To take advantage of these extensive opportunities would appear to require initiatives to bring about effective integration of all aspects of production, including government involvement, to exert a systematic influence over land acquisition, design, financing and production. The specific objective would be organizing to expand output by some 65 per cent over present levels, and to reduce effective costs by perhaps 25 per cent as the essential means of doing so. This would generate a commitment of high volume and market continuity which would enable elements of the sector to plan their actions.

As a means of reducing costs of materials in the long-run, but mainly to maximize the regional benefit from housing, the linkages into regional manufacturing could be greatly strengthened. This is primarily a matter of giving reasonable insurance of continuous markets: that is, the region could use its purchasing power to develop firm markets for a selected

range of building materials. For the most part, the industrial base of much of the potential expansion is already in place. Plastics, fibreglass, metal products, etc. are all represented in the structure, and the necessary technical and management capabilities are present. A major thrust in the development of wood products would be required to capture a large element of the potential linkage opportunities; even for these, much of the base is currently in place.

The reduction of housing costs would permit greater portions of unsatisfied need to become a part of effective demand. The best demonstration of this is the experience in Prince Edward Island. There, an approximate 25 per cent price reduction was achieved through home ownership grants. As a result, housing starts more than doubled and large increases were forthcoming in subsequent years. Between 1966 and 1971, housing investment per capita in Prince Edward Island rose from 60 per cent to 110 per cent of the national average.

The Prince Edward Island approach, however, is highly sensitive to the erosion of benefits through rising costs, profits and overheads in the materials supply portion of the industry. Thus, while it demonstrates the initial response capacity of demand, it does not set in motion the forces necessary to sustain it. Furthermore, the program makes no provision to strengthen linkages between housing and manufacturing.

In summary it appears that substantial opportunities exist for generation of income and employment in response to effective initiatives in the housing sector. If the system were built up to do no more than meet the needs being generated by current circumstances some 6500 additional people could be employed in housing construction and related manufacturing. With initiatives to sharply increase the rate of development, this sector would offer additional opportunity. At the same time organizing to deliver housing effectively could foster orderly development in growth areas in the region and make a positive contribution to the attractive harmony of the natural and man made environment still enjoyed throughout most of Atlantic Canada.

Deepwater Terminals

The deepwater ports of Saint John, Canso and Come-by-Chance represent an invaluable asset to Atlantic Canada. Few places on the Atlantic seaboard can accommodate the large bulk cargo vessels which are moving increasing quantities of bulk cargo at decreasing cost. The potential linkages related to power, steel, construction materials, oil refining, possibly petrochemicals and many others are extensive and far reaching. Much action is already

underway and much more is pressing. One oil refinery for example is in operation, one is being built and two others have been announced.

Three areas of particular interest show sufficient promise to explore with some vigour. These are potentials for slab steel production, potentials for oil refining and petrochemicals and potential for gypsum wallboard.

Opportunities for base steel production stem from a number of factors. It is predicted by the International Iron and Steel Institute and OECD that by 1985 basic steel making capacity in the world will have to double to meet demand. Current consumption of 435 million tons of crude steel will increase to 800 million tons by 1975 and some 1,100 million tons by 1980. The rate of growth will be more rapid in Europe than in North America but the absolute increase will still be large.

In addition to the growth in base capacity, there will be required early decisions on the replacement of existing obsolete basic production capacity. The changing technologies of transportation and steel production, and the growing importance of environmental considerations, indicate that replacement and expansion at present locations is by no means a foregone conclusion. On the contrary, the economics of scale and transportation tend to point toward tide water locations at deepwater ports.

The facility would be large - probably well in excess of 10 million tons. It would likely be owned by a consortium of users using their present sources of supply of ore and coal at integrated net cost, with production integrated into each company's economic and technological requirements. Its customers would be its owners since the steel industry is highly integrated. The major producers take one profit between the mine and finished product.

The deepwater port facilities of Saint John, Canso and Come-by-Chance all offer opportunities for refining oil and in fact substantial investment is already in place. As well, there appears to be growing interest in expansion on the part of international oil firms. With a continuation of this trend and an accumulating volume of refining the potentials grow for servicing an international market for petrochemicals or petrochemical feedstock and fuel oil. The economic and international issues of location of oil refining and petrochemicals are complex. It would appear, however, that a carefully developed proposition providing a delicate balance of interests of suppliers, refiners and the buyer might well constitute a feasible opportunity for the Atlantic region.

Nova Scotia and Newfoundland, between them, produce about 5.6 million tons of gypsum annually which is sold in an unprocessed form. The markets for the product are numerous, largely obsolete, wallboard plants scattered along the U.S. east coast and for the most part now located in heavily built up areas. The ability to move wallboard by container either by coastal barge or boat-train would render feasible the establishment of plants located in the Atlantic region and able to serve markets in Canada and in Europe as well as the United States, if an effective balance of interests could be achieved.

Regional Air Service Support of Business and Commercial Services

Compared to Canada in total, there has been a relatively poor performance in the rate of growth in business and commercial services in the Atlantic region. This limited growth in large measure is the result of the fragmentation of the market. The effects of this are pervasive and serious.

In terms of opportunities this sector is generally a relatively high average income sector and the more limited access in the region reduces choices of the population. Equally the shortage of such services reduces the potential impact of development activity that does occur in the region.

More serious, however, is the failure to provide a challenge to people who could help meet the commercial, economic and social challenges of the region. No single point in the region provides a market sufficient to utilize fully high quality talents in this field. One way to develop such a market would be to facilitate intra-region travel and communication in order to create an effective market of two million people. At the present time, however, the primary point which provides rapid access to all major points within the region is Montreal.

Accordingly there exists a major opportunity both to encourage the growth of a high value economic activity and more important to encourage development within the region of service competence to assist in development in all sectors. Convenient, efficient air travel would be a means to achieve this objective and accordingly air services in the region could be regarded as a major development tool.

The present transport system providing air services within, into, and out of the Atlantic region is comprised of three types of carriers. The national carrier (Air Canada), a regional carrier (Eastern Provincial Airways) and approximately a dozen Class III and IV commercial charter operators in the region operating 18-20 aircraft mainly out of bases established in the larger urban centres.

NUMBER OF DAYS REQUIRED FOR BUSINESS TRIPS BETWEEN
SELECTED ATLANTIC PROVINCE CENTRES BY AIR

CENTRES	Charlottetown	Chatham	Deer Lake/ Stephenville	Fredericton	Halifax	Moncton	St. John	St. John's	Sydney
Charlottetown	-	1-EP	3-EP	1-EP*	1-EP	2-EP	1-EP*	3-EP	3-EP
Chatham	3-EP	-	3-EP	2-EP**	3-EP	3-B**	3-B	3-B	2-B
Deer Lake/ Stephenville	1-EP*	3-EP	-	3-EP	1-EP*	3-EP	2-B	1-EP*	1-EP*
Fredericton	2-EP	1-EP	3-C	-	3-EP	2-AC	1-AC*	3-C	2-AC
Halifax	1-EP*	1-EP*	1-EP*	1-B	-	1-AC	1-AC	1-EP*	1-C
Moncton	2-EP	2-B	1-EP*	2-AC	1-B	-	1-AC	1-EP*	1-B
Saint John	2-B	1-B	3-B	1-AC	2-AC	2-AC**	-	3-AC	2-AC
St. John's	1-EP*	1-B	1-EP	2-B*	1-AC*	2-C	1-B	-	1-EP
Sydney	1-EP*	1-B*	1-EP*	2-B	1-EP*	1-AC*	1-B*	1-EP*	-

Nos. 1,2,3,
refer to the
no. of days in
the journey

EP-Eastern
Provincial
Airways

AC-Air Canada

B-Both airlines
involved for
best arrange-
ments

C-Choice of
either
airlines

- * shortened working day, arriving between 10 a.m. and 12 a.m. but not leaving until after 5 p.m.
** other means would be faster; e.g., Chatham to Moncton requires 360 miles by air--to Fredericton, to Halifax, to Moncton--when it is probably about 80 miles on the ground.

For developmental purposes it would be reasonable to expect that an efficient air transport system would permit one-day travel between the main urban centres in the region. An analysis of most of the urban centres now served by the two scheduled carriers reveals that only from Halifax can this requirement be met, and this is only a recent phenomenon. For outlying points, most routes go through Halifax and involve lengthy stopovers or overnight stops, unless the standard east-west connection is the case. However, while it is possible to leave Halifax, do a day's work in Fredericton; and return the same day, it is not possible to do the opposite. From Fredericton, it would entail parts of three days and spending two nights in Halifax.

New Brunswick centres are particularly badly served, as is Charlottetown. However, even apparently good services imposes hidden costs. For example, even though it is now possible to travel from Charlottetown to Fredericton and return the same day, the air fare is \$36.00 -- just \$5.00 less than that from Charlottetown to Montreal. To travel from Chatham to Moncton would take nearly four hours and would cost \$46.00. Whether the return trip is even possible is problematic.

Nevertheless, the existing route pattern provides better service in most cases than no service at all. And vast areas have, in effect, no service at all. A good part of northern and north-western New Brunswick, the Nova Scotian south shore and the area stretching from New Glasgow to the Canso Strait are effectively without service. The situation will not likely improve within the present system.

For persons outside the region, service adequacy can be measured by the capacity of the system to permit them to visit one of the regions' urban centres, do a day's work and return all in the same day. From centres with frequent service to Montreal, this is possible for points in the Maritime Provinces, but not in Newfoundland. The same applies approximately to residents of the Maritimes travelling to Montreal and Toronto. Beyond these centres, such service is not possible, in most cases, in either direction.

To support effectively the development of commercial services in the region air services should enable single day movement between most of the main centres within the Atlantic Region. In New Brunswick this would probably include Fredericton, Edmundston, Charlo, Chatham, Moncton and Saint John. For Prince Edward Island service should include Summerside and Charlottetown while in Newfoundland St. John's, Gander, Deer Lake and Stephenville should be assured such service. In Nova Scotia the key points would include Halifax,

a South Shore point, Yarmouth, Digby, New Glasgow, Port Hawkesbury and Sydney.

With the exception of Edmundston, Summerside, a South Shore point, Digby, New Glasgow and Port Hawkesbury all the above centres have some kind of scheduled service at the present time. With the exception of Edmundston, a South Shore point, Digby and Port Hawkesbury, all have facilities to handle the smallest type of aircraft now in operation on scheduled service; i.e. the Dart Herald, a 40 passenger two-engine turbo prop aircraft. Capital improvements would be required, however, at Edmundston and Digby, and an airport facility constructed at a point on the South Shore of Nova Scotia to handle smaller aircraft.

For purposes of air travel the above centres may be viewed as clusters of communities, accessed through Moncton, Halifax and St. John's. This view imposes certain requirements on any air transport system to be devised. First, to permit one day travel from the New Brunswick cluster to the Newfoundland cluster would require jet aircraft speed capability. However, such capability is not economic, nor is it required, to serve traffic flows within either of the urban clusters themselves. Thus, the requirement for two distinct types of aircraft capability: jet capability for high speed, high volume over long distances; and prop capability for slow speed, low volume over distances under 200 miles.

This rationalization of equipment use would impose further requirements, precise scheduling of traffic movements within and between urban clusters and decentralized aircraft storage capacity to name two. Most important, however, would be rationalization of functions required among types of air service to accommodate sound operating policy for a national air service and a local service.

The remaining functional requirement in the system is for a regionally-oriented component concerned with service within the region in the first instance. This function would become the focal point for achieving better schedule integration between all carriers. At present, neither of the major carriers have any incentive to do this.

Secondary Manufacturing

Secondary manufacturing in the Atlantic region has been tightly constrained by the peripheral situation of the region. Lack of a sizeable local market, high costs of access to outside markets and limited business services have in the main confined manufacturing opportunities to resource-based industry and to branch plant operations where local production was more economic than inward shipment. Other exceptions are small activities which grow up around shipbuilding, coal mining and steel - industries well rooted in the region's history - together with metal working and other small-batch semi-craft activities.

In looking to the future, the opportunities for expansion of secondary manufacturing in conjunction with other development activity would appear to be much brighter. Effective action on transportation would remove one of the major barriers to development of manufacturing enterprises by substantially improving convenience of access both in obtaining supplies and in penetrating markets.

Systematic efforts to revitalize the resource sectors and to facilitate the production of high value products would foster expansions of manufacturing in this process. As well, the developmental efforts of communities would generate a dynamism for many supportive manufacturing developments. Focused efforts on integrated developments such as Multiplex, woodworking complexes and others could also serve to stimulate action in the sector and traditional promotion efforts would no doubt continue to turn up opportunities from time to time.

Offshore Oil-Supplies and Services

The range and quantity of materials needed to drill and complete an offshore well can vary considerably. Typically a 90-day exploration well may require movement of at least 3,000 tons of materials ranging from fresh water, fuel, chemicals and tubulars to the provision of foodstuffs and clothing. The magnitude of rig activity will depend upon estimation and determination of the threshold reserves offshore. Assuming increasing activity, as is currently the case, it would be expected that Halifax and St. John's could become administrative, supply and service centres for North Atlantic drilling operations. Scotland's response to North Sea activity is well on the way to generating some 8,000 jobs from new opportunities and prospects. These are from direct responses and do not include secondary effects and related

activities.

Onshore supply bases to support offshore drilling and production requirements of the offshore oil industries would have development opportunities and implications in many sectors. Employment opportunities could develop related to many elements including: harbour services, berthing services, stevedoring, supplies for vessels, gas, oil, cement and mud chemicals, general cargo, tubulars, helicopter services and related activities, charter aircraft, navigational facilities, offices and facilities, passenger transport facilities, trucking and freighting facilities, all manner of construction (e.g. foundations for bulk and chemical, cement and brine tanks, mooring quays, jetties, warehousing space, despatching, receiving, offices) cranes, hoisting equipment, hooks, chains, fork-lift trucks, mooring lines, buoys, office furniture and equipment, bulk oil tanks, portable water tanks, bulk chemical/cement tanks, utilities, pipes, casings, firefighting equipment, telex, telephone cable wires, security, safety, purchasing services, insurance coverage, bonding and other activities.

Deliberate initiatives and co-ordinating action could forestall the fragmentation likely to result from the cumulative results of isolated responses. In St. John's, Newfoundland, for example, port activity is currently limited by lack of back-up land and wharf facilities to the extent that two large oil companies operating offshore are examining the feasibility of new supply and service centres at a new harbour location 18 miles away. Should this develop, it would represent an improvement but it is possible that many of the potential services and activities that could have been generated in St. John's would not materialize.

Tourism

Tourism can provide substantial income and employment on a seasonal basis often using resources which would be otherwise idle. It can provide as well a financial basis to develop and maintain facilities which widen substantially the recreation opportunities for residents. As the Atlantic economy grows and develops there is likely to be increased pressure on the landscape. Unless this landscape is valued, enjoyed and protected from misuse through careful development, much of the Atlantic countryside could be disfigured permanently.

Tourist traffic within the Atlantic region is substantial and growing. Border crossing statistics indicate that about 938,000 individual parties from extra-regional origins visited the Atlantic in 1971. This figure has been

increasing at an annual rate of six to seven per cent in recent years. It is estimated that non-resident visiting automobile parties to the Atlantic provinces paid out approximately \$106 million in the summer of 1971. Of this amount about \$102 million was spent in the Maritime provinces with about 45.5 per cent spent in New Brunswick, 40.5 per cent in Nova Scotia and 14.0 per cent in Prince Edward Island.

Food purchase was the largest category of expenditure accounting for 30.6 per cent. Accommodation accounted for 24 per cent and automobile operation 22 per cent. Other items including recreation and entertainment, handicrafts and merchandise accounted for the remaining 20 per cent with the absolute dollar values in each case rather modest. The estimated direct household income generated totalled about \$60.6 million in the four Atlantic Provinces with about \$58.8 million in the Maritime provinces. Including indirect and induced household income created within the Atlantic Provinces, the estimated return is about \$134 million of which \$130 million was distributed amongst the three Maritime provinces.

These values constituted about 4.2 per cent of total personal incomes in New Brunswick in 1971, 2.1 per cent in Nova Scotia, 6.4 per cent in Prince Edward Island, .3 per cent in Newfoundland and 2.6 per cent for the Atlantic region total. In this comparative sense the impact of non-resident auto travel is greater in Prince Edward Island but decisive in no province.

Direct employment in the Atlantic Provinces resulting from non-resident auto party expenditures in the summer of 1971 was very tentatively estimated at around fifteen thousand man years. The Maritime provinces accounted for about 96 per cent of this. Total man years of employment which includes direct, indirect and induced effects was similarly suggested to approximate 30,000 people.

The principal attraction of the region is the natural and cultural mix of its marine environment: including its extensive coastline, particularly the exceptionally rugged and indented scenic portions, its unique tidal phenomena of the Bay of Fundy, its sheltered warm water beaches in select locations, its rich historical resources and attractive settlement and cultural pattern including the pastoral landscapes of Prince Edward Island, and the Annapolis and Saint John River Valleys. Some historic resources such as Fortress Louisbourg, Newfoundland's Viking settlement, the Halifax Citadel and others are unique and many lesser sites of interest to most visitors are present. The Atlantic salmon, trout and tuna angling opportunities are also unique, particularly in Newfoundland where public access to all waters in the province

makes them exceptionally attractive. The moose hunting of Newfoundland is also outstanding.

The **environment** possesses substantial strength and inherent tourist developmental potential. Significant limitations, however, are present and imaginative and vigorous development efforts will be required to turn the assets of the region to maximum advantage given the short summer season, low temperature of coastal waters except for Prince Edward Island and the shores of Northumberland Straits, and the more modest scale of the region's beaches. The inland forest, lake and stream viewing landscape possesses no significant comparative advantage so that sound development will depend upon enterprise and initiative which extends well beyond advertising. Good downhill skiing potential, much of which is in varying stages of development, is present in New Brunswick and Newfoundland-Labrador. The superior slopes, however, are sometimes at a considerable distance from local major population centres and again, successful development will depend upon strong forward-looking initiatives on the part of the private and public sectors.

The maintenance of tourist environmental quality and public accessibility thereto is of course critical to the future of landscape touring. Uncontrolled subdivisions along highways and the cracker-box quality of much of the construction is substantially reducing the pleasing impact of the landscape. Water pollution seriously reduces the impact of the marine environment and the loss would be enormous if major beaches were seriously threatened.

Long range prospects for the tourist industry are bright given initiatives to direct efforts to activities which have a high relative return and which reduce as much as possible the current high risk levels for private enterprise and public sector investment. Careful and selective investments with respect to type, scale and site, together with site location and investment scale and informed local initiative, involvement and dedication to tourist development would appear to be strong prerequisites for success in the maximization of opportunities. Planning and financial intervention by senior governments will rarely, if ever, be sufficient in itself. It would appear that expertise must be applied at the local level if response to opportunity is to be forthcoming on the scale and manner necessary.

The sale to visitors of local arts and crafts broadens and strengthens the economic impact from tourism, providing off-season employment, reducing leakages from visitor expenditures and encouraging increased spending. It appears

certain that a substantial unsatisfied demand now exists and that very considerable growth potential is present. Similarly, there are many opportunities for private sector development of facilities, services and products for general use and sale which can be made profitable by the seasonal surges of demand generated by tourism.

Evidence suggests a lag in private response to such opportunities, particularly in non-urban areas, and it would appear that successful development of the extensive opportunities in the tourism sector of the Atlantic Provinces would be dependent on joint initiatives and action involving the private and public sectors in a variety of arrangements.

Other Sector Opportunities

As with Agriculture and Fisheries, extensive opportunities exist for sharp increases in value added through production of processed higher value products in forestry and mining. In both sectors the elements are organized and responding to outside situations in a manner which, without major initiatives in a number of areas at once, precludes the existing system from acting on these opportunities. Efforts to assist, however, would as with the other resource sectors, increase level and quality of employment and incomes in centres across the region making viable a scattered population making the most of the resources where they are.

In the resource sectors particularly - mining, forestry, fishing and agriculture - there appear to be valuable payoffs to initiatives to orient these sectors to more high-value markets to assist in integrating all essential elements to achieve this goal. By this means these sectors could become more substantial net contributors to development. Perhaps even more important is the opportunity that such action would provide to rebuild and strengthen groups of communities across the Atlantic region, enabling them to develop the advantages of technology and economic systems without relinquishing their rights and ability to maintain activity on a human scale and in response to human need.

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 of economic and other activities

within the area. Action at both levels is essential both to be effective and to ensure that systems service people, not the other way around.

An evolving regional economy would provide a dynamic developmental framework to which areas or groups of communities across the region could relate their initiatives. Changing structures in agriculture, forestry, housing and other industries generate opportunities which are realized in some geographic location. While it cannot be argued categorically that there are developmental opportunities in every 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-served entrepreneurial capability for pursuit of small scale activity.

In addition to the potential economic activities which arise because of the unique combinations of assets, talents and growing effectiveness of institutional response, these communities will be effected willy-nilly by the powerful economic and social forces which will be generated by the wide-ranging sectoral development possibilities. In these circumstances the rapid emergence of a local capability to cope with changes becomes critical not only for economic growth but for permitting people, through their local institutions, to maintain some element of control over that growth and over its influence on their destiny.

Approach

There is limited experience upon which to draw in initiating this kind of action. It would appear that it may best be achieved by helping groups of communities with common social bonds to initiate developmental action for their area. Each such developmental area, with whatever technical assistance that could be provided, could organize its resources to assess social and economic assets and opportunities. By identifying an emerging role within the emerging regional framework, the community could take action and facilitate private sector action to make things happen.

It would be an important element in a regional strategy to foster and support the initiation of such a development process on the part of groups of communities concerned to work together in building competence to re-assume responsibility for more and more of their own affairs.

The economic opportunities which are currently at hand could provide the vehicle for such action. Some of these possibilities have been identified in respect of each province and are set out in the provincial papers.

Many centres in the Atlantic region have attempted to develop town plans but few, as in the rest of Canada, have entered into a vigorous developmental process. Bridgewater, Nova Scotia, has made a start. A group of communities in Pictou County, Nova Scotia, which has made several efforts, is starting once again - - this time with determination and a carefully shaped approach. Saint John, New Brunswick, is presently taking active steps to organize an improved developmental process as are several groups of communities in the north and northeastern area of the province. One such area, including Shippegan, Caraquet and Tracadie, has available demonstrable opportunities which perhaps typify the process. This group of communities, with a population of approximately 40,800, lies in the heart of the Acadian part of Northeast New Brunswick, a region with a population of some 167,600 people of whom 64 per cent are French-speaking. Until quite recently, the area itself was regarded as one of the most disadvantaged in Atlantic Canada - - characterized by low income and educational levels; high unemployment and welfare incidence; a large number of badly substandard houses, roads and schools; low health standards; and other signs of disadvantage.

At the same time the resources of the area are extensive and, by responding quickly to such opportunities as have developed, the people have shown themselves prepared to participate fully in viable activity. The incredible fact is that the region has remained poor for so long.

There are some 200 square miles or 130,000 acres of agricultural land class II, III and IV in varying states of wood and bush cover - land that could be cleared to grow feed for local livestock production. There is an abattoir in the area operating at 50 per cent capacity in a region where there is an unsatisfied market for 93 million pounds of beef and 62 million pounds of pork. There is a Charolais base herd to breed crosses which could ensure a market reputation for the area.

The fishery is a major asset in the area. The closure of the Gulf of St. Lawrence to foreign fishing together with the decline in fishing activity in Quebec combine to make this area one of the most promising fishing centres in eastern Canada. Shifting from raw product sales to highly processed or specialty products could add substantial increases in incomes. Ingenious preparation of crab claws

for hors-d'oeuvres at a fishing plant in Caraquet raised their value from nothing to \$4.00 per pound.

Minerals, peatmoss, Irish moss and forestry resources are all present in the area with potential for conversion from raw to higher value products. The area has, as well, long stretches of some of the finest ocean beaches in the Atlantic region and a culture which is unique, making an attractive and interesting environment for tourists. The extensive housing shortage in the region could probably provide the basis for considerable immediate economic activity; the development of an industry capability; and the development, improvement and expansion of production activities related to housing, drawing on local resources including local labour.

These and other opportunities would emerge as the product of a systematic search organized as part of a developmental process for the area. Such assessments would include assessments of land capability, ideas of how to make more effective use of land both urban and rural, and identification of barriers standing in the way of development opportunities. The work as well would include the design of strategies to relate to such social objectives as are articulated as being important in the pursuit of action in the economic sector.

Each development area across the region has its own unique assets, attitude, levels of interest and levels of competence. Much could be achieved if each could, with technical assistance, work with increasing vigour, effectiveness and confidence to identify its own opportunities and move in a coordinated way to take advantage of them. Collectively, the developments which may be achieved through encouraging each area to actively engage in development activity could offer major developmental opportunity for the region.

ENCOURAGEMENT OF INITIATIVES TAKEN BY THE PRIVATE SECTOR

Realization of many of the opportunities outlined in the sections above are largely dependent upon direct government involvement and initiative coupled with complementary investment decisions by the private sector. By lowering uncertainty and indicating a general direction of development, public sector initiatives can stimulate and reinforce action by the private sector.

At the same time, however, there is a need to provide direct encouragement to the private sector to initiate action in areas of opportunity not necessarily a part of any

co-ordinated development. Opportunities for development will often be identified by the individual entrepreneur in response to a host of factors. As the vitality of the region increases these opportunities may also be expected to increase. It is to be hoped that, over time, a growing proportion of developmental opportunities will be identified and pursued by the entrepreneur to obtain the reward of the market place.

In the aggregate, the production and employment which could be generated by such individual initiatives represent a major opportunity for development. At this point in the growth of the region many of these initiatives may require encouragement from government. This appears to be true in each province in the region and the usefulness of such encouragement through such means as incentive grants is assumed though not specifically referred to in the provincial papers.

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.

