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DREE



ATLANTIC



Regional Economic Expansion
Expansion Économique Régionale

DREE Atlantic:

A PRESENTATION TO
THE HONOURABLE ELMER MACKAY
MINISTER
THE DEPARTMENT OF REGIONAL ECONOMIC EXPANSION /

R.H. MCGEE
ASSISTANT DEPUTY MINISTER
ATLANTIC REGION
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SLIDE 1
Atlantic
Region
Montage

This presentation, deals with the four provinces--New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island, collectively known as the Atlantic Region of Canada. The program is divided into four parts:

Part One provides a brief look at the geographical features of the region which influence, enhance or deter development, and includes an overview of the region's main economic activities.

Part Two details the economic circumstances of the four provinces.

Part Three provides a brief history of DREE's early involvement in the region, and a look at some of the current programs and future plans.

Part Four explores the potential of the region and highlights the assets awaiting breakthroughs and development.

SLIDE 2
The
Atlantic
Region

Although the land area of the region is relatively small, it is spread over surprising distances. For

example, the distance from Fredericton, New Brunswick, to St. John's, Newfoundland, is just about the same as that from Windsor, Ontario, to Quebec City, Quebec.

From St. John's to Nain, both in the same province, it is the same distance as from the British Columbia border with Alberta to the Saskatchewan-Manitoba border.

SLIDE 3

The Atlantic
Region Map

The population of the region, 2.2 million, approximates the population centred in either Metropolitan Toronto or Metropolitan Montreal.

The labour force, approximately 863,000, has a composition that differs significantly from the nation as a whole. A large percentage is engaged in primary production. Construction trades are relatively more important in the Atlantic region than in Canada as a whole, but, generally, processing, managerial and clerical employment is not as significant as in the more populous and industrially concentrated areas of the nation.

SLIDE 4

Nova
Scotia

More than 1.25 million acres of Nova Scotia's total area of 13 million acres are farmland. Of the remainder, an excess of 9 million are forested.

The most highly diversified province of the four comprising the Atlantic region, Nova Scotia is the only one in which manufacturing is the main economic provider.

The province is characterized by a diversity of terrain, from the rich agricultural Annapolis Valley to the Cape Breton highlands.

With an all-year seaport at Halifax-Dartmouth, Nova Scotia has become the main gateway for exporters in search of the rich European markets.

Fuel price increases over the past decade have revitalized the provincial coal-producing industry, and mines considered redundant 10 years ago are now in full production, with potential reserves in excess of 800 million tons lying just offshore in the Sydney area.

Fishing and related processing activities have become more important since the advent of the 200-mile limit, and expansion is occurring in further processing and exporting fields.

Halifax, the provincial capital, has a metropolitan area population in excess of 270,000.

SLIDE 5

New
Brunswick

One of the four original provinces of Canada, New Brunswick is the second largest of the four Atlantic provinces, with a labour force in excess of 270,000.

Approximately 85 per cent of the province's 28,000 square miles are forested producing both soft and hard woods, and much of the New Brunswick manufacturing industry is based on this natural resource.

Growth of the mining industry has accelerated in the past decade, with significant discoveries being made in different minerals.

Three million acres are under cultivation as farmlands, with potatoes being the largest single crop.

The commercial fishery, mainly near-shore operations, is a mainstay of the economy in certain regions in the Province.

Processing and manufacturing operations utilizing the natural resources of the province, are steadily growing in number and output.

The largest city, Saint John, has a metropolitan population of 113,000, followed by Greater Moncton with 82,000, and Fredericton, the capital city, has 44,000.

SLIDE 6

Newfoundland

If size, alone, were an indicator of prosperity, the province of Newfoundland and Labrador would be the richest in the Atlantic region; but with three-quarters of the land mass that comprises the region, Newfoundland, covering 155,000 square miles, has a labour force of only 200,000.

Minerals are a large contributor to the provincial economy, with Labrador mines being the major producer of iron ore in Canada. The mineral sector's potential has yet to be fully realized.

One-third of Newfoundland is forested, but harvesting and transportation difficulties from remote areas puts this industry into third place as an economic provider.

The traditional fishing industry of the province is being revitalized with the arrival of the 200-mile limit, and increased processing of the product in Newfoundland is providing an increasing number of new job opportunities.

Energy provision from Labrador is already extensive, and additional power sources are expected to be harnessed on the Lower Churchill River.

Off-shore exploration for oil and gas is being enhanced by on-shore research into extraction methods to overcome the hazards of icepacks and icebergs that constantly menace exploration teams.

Agriculture is limited. Newfoundland soils are gravelly, and a large portion of the island's surface has virtually no agricultural soil or is of low fertility value. The short growing season, rarely exceeding three months, is also a handicap in the agricultural sector.

The largest city in the province, St. John's, with a metropolitan area population in excess of 145,000, is also the capital.

SLIDE 7

Prince
Edward
Island

The smallest of the four Atlantic region provinces, Prince Edward Island spreads over 2,100 square miles of gently undulating slopes with no land rising more than 140 meters above sea level.

The rich soil has traditionally made the island's agricultural industry the backbone of the provincial economy.

More than 5,000 of the island's labour force of 50,000 are directly involved with farming, with perhaps an even greater number participating in allied operations including an expanding food processing industry.

Potatoes remain the largest contributor to agricultural output, providing approximately 10 per cent of the gross provincial product annually.

The island has long been a summer mecca for visitors from other Canadian provinces and the eastern

United States seaboard, and the tourism industry is a highly concentrated provider of money and employment during the four summer months.

Charlottetown, the capital, is the island's largest city, with a population in excess of 25,000.

SLIDE 8

Economic
Circumstances

In describing recent economic circumstances and trends in the Atlantic Region, the Maritime Provinces as a group (that is, Prince Edward Island, Nova Scotia and New Brunswick) are displayed separately from Newfoundland and Labrador.

SLIDE 9

Annual Growth
of Real
Domestic
Product

One of the best measures of economic performance is the output of the economy as measured by Real Domestic Product. The RDP measure represents real growth after deducting for inflation. Over the 1961-78 period, the Maritime Region had an RDP annual growth similar to the country as a whole. The fluctuations have been in the same direction at roughly the same time period. It is also noteworthy that over this 17-year period, the average growth went from about 6 per cent on a yearly basis, down to 3.5 per cent. In this same period, the Newfoundland economy performed very differently than both Canada and the Maritimes. The fluctuations have been much greater and do not coincide in their timing. A number of explanations can be provided for this behaviour: the large export sector, which relies on foreign demand, the importance of commodities such as iron ore and the coming on stream and subsequent closures of the Labrador Linerboard facility and the

Come-By-Chance Refinery. The 1977-78 period largely reflects the strike in the iron ore industry in Labrador.

SLIDE 10

Personal And
Earned
Income
Per Capita

In current dollar measures, the personal income (solid line) has grown dramatically and has more than doubled from 1971 to 1977. This doubling is caused in part by inflation. It is, however, noteworthy that both Newfoundland and the Maritimes have been growing at about the same rate as Ontario so that the gap has not widened in the last six years. Personal income includes transfer payments by the Federal Government. In order to reflect the growth in income without the influence of transfer payments, the earned income (broken line) is shown. Again, considerable growth is recorded from 1971 to 1977. However, the disparities between Ontario, on one hand, and Newfoundland and the Maritimes on the other, has widened marginally. Also noteworthy is the fact that the difference between personal and earned income has increased considerably in the Atlantic Region, whereas it has remained more stable in Ontario.

SLIDE 11

Total Net
Migration

A considerable proportion of the Atlantic Region's population migrates every year, moving either from Canada to other countries, across provincial boundaries within Canada, or simply moving within the same province. Historically, the net results of these movements in and out of the provinces and the country were that the Atlantic Region was losing population. Since 1971, however, the Maritimes have been a net gainer of population through the migration exchange whereas Newfoundland has considerably reduced its out-migration. It should be noted that while different sources of data produce different migration totals, all sources utilized indicate the same trends in the movement if not the same magnitude. While no one reason can be singled out to explain the reversal in migration, the phenomenon appears to be related to the following: higher job creation in the Atlantic, higher transfer payments, and higher costs of living (especially housing) in central Canada.

SLIDE 12

Population
Annual
Rate Of
Growth

As a direct result of the reversal in migration patterns, population growth rates have been higher. During the 1961-71 period, the Canadian population grew at nearly 1.8 per cent per year, whereas the Maritimes' population was growing at less than half that rate.

Newfoundland was growing at a slower pace than Canada in spite of the very high birth rates. In the 1971-77 period, matching the new migration pattern, the Newfoundland population grew faster than Canada, while the Maritimes' rate was nearly equal to the Canadian rate. In 1977-78, the Maritimes population was growing as fast as the Canadian rate.

SLIDE 13

Employment
And Labour
Force Growth
Annual Rates

In the 1961-66 period, employment in Canada, Newfoundland and the Maritimes was growing at a faster rate than the labour force. Newfoundland's employment was growing by an astonishing 7 per cent per year, due largely to significant capital projects such as the Trans Canada Highway and the beginning of rural electrification while Canada was growing at approximately 3.5 per cent per year. In the Maritimes, the rate was about 2 per cent per year, which was still higher than the labour force growth. As a result, the unemployment rate decreased considerably in that period.

In the 1966-71 period, the growth in employment slowed down considerably and was surpassed by the rate of growth of the labour force due to the post war baby boom and the increasing female participation rate. The

Canadian employment growth rate largely surpassed both Newfoundland and the Maritimes, as did the labour force growth rate. However, in the 1971-78 period, employment growth in the Maritimes and Newfoundland nearly caught up to the Canadian growth rate, while the labour force in the Maritimes was growing at about the same rate as Canada. This last period shows an employment growth rate, collectively in the Atlantic Region, nearly double that in the 1966-71 period. However, the very rapidly increasing labour force, resulted in a continuing increase in the unemployment rates.

SLIDE 14

Participation
Rate

The labour force is heavily influenced by the participation rate of a given region or the proportion of people in the working age (15 and over) either working or looking for work. Over the 1961-78 period, the participation rates in Canada, the Maritimes and Newfoundland all increased considerably. However, while the differences between the Canadian and Newfoundland labour force participation rates narrowed marginally over the 17-year period, the gap widened slightly between the Maritimes and Canada. In the more recent period, 1971-78, the Newfoundland participation rate increased much more rapidly than either Canada or the Maritimes,

and the gap closing which occurred can be imputed to this most recent period. It must be noted, however, that none of the Atlantic Provinces by 1978 had attained the same labour force participation rate that Canada had in 1971.

SLIDE 15

Unemployment
Rate

As a result of the faster growth in employment over the labour force in the 1961-66 period, the unemployment rates in Canada, the Maritimes and Newfoundland decreased considerably. The 1966 to 1971 period shows these three rates increasing at about the same pace as a result of a much slower growth rate in employment. However, the more drastic changes occurred in the 1971-78 period where, due mainly to net in-migration, the labour force out-paced the employment creation by a considerable extent. As a result, the unemployment rate increased rapidly. Moreover, the gap in unemployment rates between Canada, on one hand, and Newfoundland and the Maritimes on the other, increased considerably over the period.

SLIDE 16

Total
Investment
Per Capita

Over the last 17 years, investment in the Atlantic Region has remained at about 8 per cent of Canada's total. However, in the 1970-71 period, in part due to utilities in Newfoundland and manufacturing investment in

the region, the Atlantic share increased to over 9 per cent of the national investment. In the last 2 years, it has dropped below 7 per cent, mainly as a result of low manufacturing investment in the region and lower utility investment in Newfoundland. From 1971-1977, investment in the region generally did not perform as well as in Canada as a whole. However, 1978 showed an improvement and preliminary indications are that the Atlantic will slightly out-perform the Canadian investment growth rate this year.

SLIDE 17

Institutions
And Government
Departments
Investment
Per Capita

The importance of governments and institutions to the Atlantic economy is shown by their investment per capita, in relation to the Canadian average. Since 1973 the institutions and government departments investment have been at a higher per capita level than the Canadian average, and, as a result, have increased their share of total investment in the region from 20.9 per cent in 1971 to 24.2 per cent in 1978. The Canadian figures in this sector dropped from 20.5 per cent to 15 per cent.

SLIDE 18

Provincial
Governments
Revenue
Generating
Potential

If one were to assume the same tax structure and rates for every province in Canada, the potential generation of provincial revenues would be very different. Disparities in this measure are very great, and indicate the limited capacities of some provincial governments to undertake development efforts. While the Western Oil boom has some effects on this measure, as it is expressed as a per cent of the all-provinces rate, it nevertheless shows that the four Atlantic Provinces would generate some 61 per cent or less of the all-province average if similar taxes were applied. This represents a particularly acute problem given the importance of the public sector in the regional economy. It also indicates how severe provincial governments' fiscal capacity would be in the absence of federal transfer payments.

SLIDE 19

DREE
Programs

Although the Department of Regional Economic Expansion was the first department established by the Government of Canada with a specific mandate to deal with regional disparities, other federal instruments preceded DREE.

SLIDE 20

Early
Federal
Regional
Development
Programs

During the 1960's the government had established a number of programs and agencies assigned to respond to particularly severe disparity problems in the slower growing regions of the country.

In the Atlantic Region, the principal efforts included:

- The Agriculture and Rural Development Act of 1961;
- the Atlantic Development Board Act, 1963;
- the Area Development Incentive Act, 1963;
- the Fund for Rural Economic Development, 1966.

These, and others like them, were aimed at resolving specific social and economic problems.

SLIDE 21

Major
Pre-GDA
Activity

These earlier programs were reasonably successful in overcoming critical deficiencies in infrastructure and in social and community adjustment in the more rural areas. However, by the end of the 1960's, there was a noticeable lack of coordination in the operation of these programs, and this led to the creation of DREE in 1969.

With the establishment of DREE, the government terminated the operation of the Atlantic Development Board and replaced it with an advisory council (the ADC) and consolidated a number of other agencies and programs.

Some of the principal ones were:

- The Agricultural and Rural Development Act (ARDA), dealing with alternate land use, soil and water conservation, rural development, and the alleviation of low income levels in rural areas;
- the Fund for Rural Economic Development (FRED). This provided funds for comprehensive rural development in areas selected by the Federal and Provincial Governments on the basis of low incomes, major adjustment problems and recognized potential for development;

- Land Registration and Information Service (LRIS).
As its title indicates, the program involved surveying, mapping and land registration;
- Maritime Resource Management Service (MRMS) to provide information on resource data, drafting services, aerial photography and various engineering and planning services;
- Special Areas Agreements, to provide infrastructure and social adjustment programs in designated slow growth areas.

Specifically aimed at industrial development were:

- Regional Development Incentives Act (RDIA);
- Multiplex; and
- the Newfoundland and Labrador Development Corporation.

This first phase of DREE operations in the Atlantic Region resulted in expenditures of approximately \$750 million. Much of the effort was directed towards

providing the essential requirements on which to build a solid economic base. Large scale municipal infrastructure investments were undertaken in the key urban areas; schools with a heavy emphasis on technical and trades training were established; industrial parks were constructed and expanded throughout the region; all of this designed to create a threshold level of development and set the stage for the establishment of the General Development Agreements in 1974.

SLIDE 22

Commitments

Since 1974

(to May 31

1979)

With the establishment of the General Development Agreement system and the reorganization and decentralization of the Department in 1974, significant new directions were adopted in the Atlantic Region. In this second phase of DREE operations, a much greater emphasis was placed on fostering specific development opportunities, upgrading the resources and resource management and removing specific constraints to development.

Since adoption of the GDA/subsidiary agreement framework in 1974, the federal government has committed a total of \$1.136 billion to forty-four (44) subsidiary agreements, five (5) region-wide agreements, and Prince Edward Island's Comprehensive Development Plan.

General Development Agreements and subsidiary agreements have been signed with Nova Scotia, New Brunswick and Newfoundland. Prince Edward Island operates under the 15-year Development Plan signed in 1969.

SLIDE 23

Nova Scotia
GDA
Objectives

The General Development Agreement objectives vary from province to province. The main points of Nova Scotia's GDA objectives are to:

- (a) encourage the expansion or maintenance of viable, long-term employment opportunities and optimum quality of life within Nova Scotia;
- (b) increase the earned income of the people in Nova Scotia; and
- (c) assist in the development of a dynamic and creative provincial economy, which will encourage the growth and stability of economic activity in Nova Scotia."

SLIDE 24
Nova Scotia
Sub-
Agreements

Eleven sub-agreements have been signed with the Province of Nova Scotia. Total federal commitment amounts to \$244.9 million, with cost sharing generally done on a 80:20 ratio.

In terms of commitment, the Halifax-Dartmouth agreement is by far the most impressive with a federal share of \$80 million. It is intended to accelerate development of the metropolitan area with emphasis on high technology industries, communication, distribution and transportation related industries.

Natural resources are stimulated with federal shares of \$36.1 million in the forestry Sector, \$30 million for agriculture, \$15.8 million for mineral development and \$11 million for tourism development. Disparities in the Strait of Canso, Cape Breton and Sydney areas are specifically addressed with total DREE contributions of \$37.3 million.

Cape Breton's traditional steelmaking industry has been aided by the Sydney Steel Corporation Assistance Program. DREE has committed \$15.2 million to enable the upgrading of the steel plant's capital works and to

provide business and planning studies related to markets, engineering, finances, and organization.

SLIDE 25

Nova Scotia
Agreements
In
Preparation

The ongoing process of achieving the objectives as set out in the General Development Agreement results in new sub-agreements being in varying stages of development. In this category are sub-agreements dealing with:

Ocean Industry Development

- To create employment and income opportunities in Nova Scotia's ocean industry sector through creation of a nucleus of medium-to-high technology ocean manufacturing and service industries.

Halifax Panamax Dry Dock

- To provide industrial support infrastructure to Halifax Industrial Marine Ltd. to enable high skilled jobs and incomes to be maintained at the Port of Halifax.

Sydney Steel Corporation II -

Capital expenditures totalling \$50 million will be shared 65:35 with Nova Scotia. The capital expenditures will enable Sydney Steel Corporation to produce the size and quality of billets for a 2.2 million-ton term contract, and to improve revenue from rail operations. Studies will be completed to identify the relative merits of the various steelmaking options under consideration.

SLIDE 26

New Brunswick's General Development Agreement

New Brunswick

objectives stated in their entirety are:

GDA

Objectives

- "For the purposes of this Agreement, the Primary objective of economic and socio-economic development is to reduce the gap in earned income per capita between New Brunswick and the national average. A further objective is that per capita incomes should be raised while minimizing net migration from the province. To meet these objectives, economic and socio-economic policy should be aimed at achieving a faster rate of growth in provincial output by raising productivity, increasing the number of viable employment opportunities, and

encouraging the development of a skilled and versatile labour force."

SLIDE 27

New Brunswick
Sub-
Agreements

Canada and the Province of New Brunswick have negotiated 17 agreements. These are generally cost shared on an 80:20 federal-provincial ratio. Total federal commitment to these New Brunswick agreements totals \$346.7 million.

Of particular interest perhaps is the Northeast New Brunswick sub-agreement. Canada has committed \$67.1 million towards a comprehensive program of industrial development, urban-industrial infrastructure, human and resource development, and a special housing program.

DREE commitments to sub-agreements dealing with such natural resources as forestry, agriculture, minerals and tourism, account for \$116.8 million of the total estimated expenditure of \$146.6 million in these areas.

In addition to arterial highways in the Saint John and Moncton areas, sub-agreements have supported the

development of highway infrastructure elsewhere in the province, to a total of \$105.5 million.

SLIDE 28

Agreements under negotiation in New Brunswick deal

New Brunswick
Agreements

with:

In
Preparation

Saint John Market Square

- This is a major urban core redevelopment initiative to include housing, hotel, industry and trade centre, office and retail space. Besides DREE, other federal participants include the Ministry of State for Science and Technology, Central Mortgage and Housing Corporation, Department of Public Works, National Harbors Board and Department of Fisheries and Oceans (Small Craft Harbors).

Saint John Dry Dock Expansion

- This proposal envisages possible financial support from DREE and the province toward expansion of the Saint John Shipbuilding and Dry Dock facilities. Canada has already announced that it will

contribute approximately \$10 million toward a \$17 million expansion of the ship repair facilities. A further expansion would involve additional capacity for shipbuilding. This relates to prospective requirements for large Arctic-class carriers to be used for Arctic oil and gas developments.

SLIDE 29

Objectives of the Newfoundland General Development

Newfoundland

Agreement are to:

GDA

Objectives

- Increase the number and quality of viable long-term employment opportunities and improve access to those opportunities by the people of Newfoundland;

- Increase opportunities for people to live in the area of their choice with improved real standards of living.

SLIDE 30

Newfoundland
Sub-
Agreements

To realize the objectives of the General Development Agreement, Newfoundland and DREE have signed 16 sub-agreements. These are generally cost shared on a 90:10 ratio between the federal and provincial governments.

Commitments to highway infrastructure total \$137.1 million in three highway sub-agreements with a DREE share of \$120.6 million. In addition to this, approximately half of the expenditures of the St. John's Urban Region sub-agreement will be for the Harbour Arterial Road, adding another 25.9 million DREE dollars to road transportation improvement in Newfoundland.

In the field of natural resources, Canada has committed \$85.6 million towards a total planned expenditure of \$97 million, to develop the forestry, minerals, tourism, and agriculture sectors.

Fisheries and ocean industries related developmental programs have been given DREE commitments of \$31.5 million towards total anticipated expenditures of \$34.7 million.

SLIDE 31

Newfoundland
Agreements

In
Preparation

Sub-agreements in the preparation stage in

Newfoundland include:

- The Newfoundland Polytechnical Institute:

The proposal calls for a new facility of 252,000 square feet to replace the existing College of Fisheries and relieve the over crowded conditions at the College of Trades and Technology. Its cost is estimated at \$33.7 million and it will accommodate 1,343 students.

- Labrador Development

This agreement, being developed in consultation with other federal departments and agencies such as Transport, National Health and Welfare, Indian Affairs and Northern Development, Communications, and Canada Employment and Immigration Commission, is aimed at the balanced development of Labrador. It would be a five year program costing \$130 million and include initiatives in the area of economic, social, cultural, and physical development.

- Land Surveying and Mapping

This would continue work started under an expired agreement. The five-year program to pursue surveying and mapping requirements in Newfoundland and Labrador would see a DREE contribution of \$6.7 million towards the overall cost of \$7.4 million.

- Forestry II Sub-Agreement

Total costs of this "follow-up" agreement would approximate \$55 million. Program activity would encompass Forest Resource Inventory and Management Planning; Silviculture; Forest Products Development; Forest Utilization; Timber Scaling and Lumber Grading; Forest Economics and Statistics; Resource Access Roads; Forest Protection and Forest Administration.

- Primary Fish Landing and Distribution Centre

This proposal calls for the establishment of a primary fish landing and distribution centre at

Harbour Grace. The facility would receive increased landings from offshore areas arising from adoption of the 200 mile economic zone, and distribute these to existing seasonal plants on the Avalon Peninsula.

- Industrial Development

This proposal concerns the provision of new industrial land and access in the City of Corner Brook, and an industrial access road from the Trans Canada Highway to Stephenville. Canada's contribution would amount to \$23.9 million of a total cost of \$26.6 million.

SLIDE 32

Prince
Edward
Island
Plan
Objectives

The general objective of the Prince Edward Island Comprehensive Development Plan is to create conditions in which the people can develop economic enterprises for themselves so as to raise per capita income with equity and create more jobs while maintaining the environment.

SLIDE 33

Prince
Edward
Island
Plan
Programs

DREE development efforts in Prince Edward Island are not channelled through a General Development Agreement but rather through the Comprehensive Development Plan which was signed for a fifteen year term in 1969. With few exceptions, expenditures are shared on a 90:10 basis.

Rather than approaching objectives through individual sub-agreements, the Plan calls for the annual allocation of resources to development programs covering sectors such as shown.

Phase II, which runs from 1975 through 1980, is illustrated in this slide. It should be noted that dollar amounts shown comprise commitments as well as actual past expenditures.

SLIDE 34

Prince
Edward
Island
Agreement
In
reparation

Phase III Development Plan -

Phase III of the Comprehensive Development Plan which will come into effect on April 1, 1980, is presently under discussion between DREE and Provincial officials.

SLIDE 35
Region
Wide
Agreements

The Atlantic Region office administers a number of agreements, region-wide in application. Current and expired agreements include: Responsibility for the Atlantic Regional Labour Education College, operated in cooperation with Saint Francis Xavier University in Antigonish, passed from DREE to the Department of Labour in April 1978.

The Atlantic Management Institute Agreement expired on March 31, 1978 after being in operation for five years. Its main accomplishment was the amalgamation and rationalization of management training in the Atlantic Provinces with the organization and control of most such courses resting with one body.

The Atlantic Management Institute agreement was succeeded in July 1978 by a new five year agreement, the Atlantic Provinces Management Training Agreement. It aims to provide a practical means for increasing managerial effectiveness of practicing managers in the Region through cost sharing with the four provinces of the costs incurred in the development and delivery of management training courses. Cost sharing is 80:20. Each province sets up and funds an administrative structure to

deliver the program in its area. Total costs to DREE for the five years are estimated at \$2.15 million.

The Land Registration and Information Service Agreement originally ran from 1973 to March 31, 1978 but was extended in two phases to March 31, 1980. Maritime region in scope, it provided for emplacing, metrification and redefinition of survey movements; the production of resource, urban and individual property maps; and an improved land registration system. Since inception of the original agreement, DREE has committed \$26.2 million towards it.

The Physical Distribution Advisory Service was originally in existence from October 1, 1973 to March 31, 1978. During this period DREE's expenditures totalled \$385,835. It provided an agency which advised shippers in the Atlantic area on freight, transportation, warehousing, materials handling, protective packaging, inventories control, plant site selection, order processing, market forecasting, and customer service.

A new agreement extended the life of the agency to 1983. DREE is committed for \$500,000 during this period.

SLIDE 36

Maritime Forest Ranger School -

Region-Wide

Agreement

In

Preparation

This proposal calls for construction of a new Maritime Forest Ranger School to replace that built in 1946 and to accommodate increased enrollment. A sawmill training facility would operate in conjunction with the Forest Ranger School. Cost sharing has been suggested at 50:50 between Canada and the Council of Maritime Premiers.

Amendment II Land Registration and Information
Service (LRIS) -

This consists of an amendment to add \$3 million to the current Agreement for cost sharing of externally contracted work on services over the fiscal years 1979-80 and 1980-81. This would soften the impact on private sector firms of the decision to withdraw funding support from LRIS.

SLIDE 37RDIA
Region
Wide

Since inception on July 1, 1969, 2,984 applications have been received in the Atlantic region; 37 per cent of these applications resulted in accepted offers. The remaining portion represents projects that were rejected by the Department, withdrawn by the applicant, or resulted in offers that were subsequently turned down by the applicant.

The 1,096 applications that resulted in projects were expected to create 25,750 direct jobs and receive \$190.4 million in incentive grants from DREE. On the average, each job is expected to cost \$7,400. Total private investment in fixed assets generated by these projects totaled \$704 million, or \$642,000 per project on the average. Only 71, or 6.5 per cent of all assisted projects resulted in bankruptcy or cessation.

The smaller, or A-size cases, account for 56 per cent of the assisted projects, however, this category accounts for only 22 per cent of the total jobs and 12 per cent of incentives given. On the other hand, larger projects of the C category represent only nine per cent of the projects, but created 40 per cent of the jobs and received 57 per cent of the total incentive amount.

SLIDE 38

Expected
New Jobs
At Time
Of Offer

The level of activity of the RDIA program in the Atlantic Region has fluctuated substantially from year to year throughout the life of the program to date. It is, in part, a function of the overall economic conditions and expectations prevailing at any given time. Projects assisted in 1972 were expected to create 4,253 jobs, while, those assisted in 1976 were expected to create only 1,957 jobs. However, economic conditions and expectations having improved, the level of activities of the RDIA program significantly increased since then, and 1978 has been the second best year since inception with 3,216 jobs expected to be created. Based on applications received to date, 1979 may give an even better performance.

SLIDE 39

Estimated
Amount of
Incentive

Some 70 per cent of industrial incentives offered by DREE under RDIA in the Atlantic Region since inception are concentrated into four industrial sectors:

Grants

Metal fabricating, machinery	23%
Wood and furniture	16%
Fish processing	16%
Food and beverages	14%

RDIA grants have tended to reinforce the natural economic strengths of each province. For instance, some \$15.0 million in grants were offered to fish processors in Newfoundland, representing over 60 per cent of the \$24.9 million in that province. In Prince Edward Island, which received \$15.3 million in grants since 1969, some 45 per cent were offered to the food and beverages industry (mainly the potato processing industry).

Both Nova Scotia and New Brunswick have somewhat more diversified economies, with a concentration of the DREE grants in the metal fabricating and machinery industries (32 per cent) in Nova Scotia and in the wood and furniture industries (28 per cent) in New Brunswick.

The distribution of the DREE grants among the four Atlantic provinces is quite proportional to the size of their respective population, with the exception of Newfoundland. Indeed, based on current population levels, Newfoundland received \$45 per capita, on the average, compared to \$129 in Prince Edward Island, \$95 in Nova Scotia, and \$105 in New Brunswick.

The Atlantic provinces have a few large employers in some of their major industries. As a result,

proportionally large amounts of incentives were offered by DREE to a limited number of companies. For instance, the National Sea Products - Nickerson group for their Newfoundland operation was offered \$9.5 million. In Prince Edward Island, C.M. McLean Company was offered \$4.1 million since inception of the program. A similar situation exists in New Brunswick, where McCain Foods Limited received offers amounting to \$6.2 million. In Nova Scotia, Michelin Tires (Canada) and Sydney Steel received incentives amounting to \$11.7 million and \$17.1 million respectively.

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Commitments

Since 1974

In summary, over \$1 billion has been committed or spent in the Atlantic Region since the GDA's were signed in 1974. Much of this investment is of course designed to affect the medium to long-term development prospects of the region. Opportunities arising out of investments in the forestry resource, for example, will not be fully realized for more than 20 years. Consequently, attempts at a comprehensive evaluation at this time are much too premature. Nevertheless, significant benefits have already been achieved. The disparity in educational attainment has virtually disappeared. Drop out rates and levels of education in the Atlantic Region were once a

critical problem; now, however, the quality of the labour force is on a par with the rest of the country. Rural poverty in the Atlantic Region today is almost non-existent. In Northeastern New Brunswick for example where chronic unemployment and low levels of income prevailed for decades, significant improvements have been made and these are dramatically visible to anyone visiting the area.

In Newfoundland a significant task still remains but the basis for development has now been established. Research facilities to support expansion in the fishery and in ocean industries have been put in place. Marine service centres and cold storage facilities have increased the productivity of the fisherman. As a result, the boat building industry in Newfoundland is operating at close to full capacity. Farmers in Prince Edward Island have significantly improved their productivity and income and a much larger proportion of the potato crop is now going into the higher value added food processing sector. More than 40 industrial parks throughout the region have been established. At last count, over 750 firms have located in these parks creating employment for 18,000 people.

These are a few examples of the immediate benefits that have occurred in this second phase of DREE activities in the Atlantic Region.

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The
Future

Turning to the future, and what might be described as the third phase of DREE, regional development policy in the Atlantic Provinces is expected to be more selective, more strategic and more region wide in nature. The prospects and issues outlined below are more complex in nature and invariably cross provincial boundaries. This will require a new focus on regional issues in contrast to provincial and local concerns.

The economic prospects for the Atlantic Region in the 1980's are closely related to the resource industries, or are linked to the advantages of geographic location. Realization of these prospects will require the Atlantic Region to develop a strong competitive position in both national and international markets. A strong private sector, competitive in the market place, requires a positive developmental environment supported by an effective institutional framework.

There is cautious optimism for growth in the fishing and fish processing, minerals and forest based industries, all traditionally important sectors in the Atlantic Region. In addition, a new sector with significant growth potential, described here as "ocean industries" is emerging in the Atlantic Region. The

ocean industry is related in the first instance to the fishery, but goes far beyond the requirements of the fishery alone. The location of the Atlantic Region, traditionally a disadvantage, has been affected by changing comparative advantages in transportation, and its proximity to the eastern Arctic. Energy in the Atlantic Region can be cast as either an opportunity or a problem. The region is faced with high energy costs as well as an uncertain supply of foreign crude oil; yet, at the same time, the prospects for the development of offshore oil and gas and hydro power in Labrador are more favourable than at any time in the recent past.

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Fisheries

The most significant event of recent years in terms of the fisheries was the introduction by Canada on January 1, 1977, of extended fisheries jurisdiction to 200 miles. This decision was prompted by the critical state of fish stocks, particularly in the Atlantic Region, and the need to impose a rational scheme of conservation and resource management.

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Canada, as a major fishing nation, is adopting appropriate strategies to obtain the benefits associated

with the fisheries resource. These strategies are of particular importance to the Atlantic Region. The major problem facing the Canadian fishing industry is the adjustment required to meet new challenges arising from the extension of Canada's fisheries jurisdiction. Basically, the Canadian industry will have to produce a wider range of products of consistent quality and market them in many more countries than at present. There will need to be major marketing efforts in countries that have traditionally bought little or no Canadian fish products. In this regard, Japan and Eastern European countries are seen as major potential markets.

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Significant adjustments in the fish processing industry will be needed in order to both increase volume of output and broaden the product line of the industry for anticipated markets. These adjustments will no doubt have infrastructure impacts, firm specific capital implications and perhaps industry structure effects, all of which could involve DREE.

Therefore, on the assumption that required adjustments and coordination efforts will be forthcoming, opportunities exist in terms of optimizing the Canadian

catch and the processing in Canada of fish products caught by Canadian and non-Canadian fishermen. Furthermore, opportunities will exist for expanding the marketing of fishery products both in terms of traditional and non-traditional species. Finally, related spin-off opportunities could result in areas such as shipbuilding and ship repair, the provision of fishing gear and equipment and in the servicing of the Canadian and non-Canadian fishing fleets as outlined in the next section on Ocean Industries.

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Ocean
Industries

The Atlantic Region has an opportunity to create a nucleus of medium-to-high technology ocean manufacturing and service industries which would be capable of generating permanent employment and income opportunities together with substantial increases in value added in production and processing. The potential of ocean industries, while difficult to predict accurately, appears extremely good.

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Ocean industry is usually defined as those establishments which manufacture equipment or provide services for all commercial and scientific activities in

the oceans. Ocean industry serves and supplies the commercial fishing industry; offshore oil and gas, and minerals; and shipbuilding and repair. Associated with these are such related activities as defence, surveillance, and environmental research and management. In the medium-term, the petroleum and fishing industries will provide the main driving force behind all primary ocean activities, as well as the major demand for specialized equipment and services from ocean industries.

The fishery offers the greatest immediate potential in the ocean industry sector. The development and manufacture of a variety of vessel deck gear, over-the-side catching gear, specialty equipment and accessories for aquaculture, and increasingly sophisticated devices required for locating and identifying fish stocks, etc., are all potential development opportunities for the Atlantic ocean industry sector. In terms of specialty vessels and component gear, the fisheries offer Canadian ocean industry firms a share of a substantial domestic market which could run to \$150 million to \$200 million per year. The export potential is unclear, but undoubtedly offers considerable opportunity to enterprising Canadian firms.

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The oil and gas exploration off the Atlantic Coast offers potentially huge, but unfortunately, as yet not entirely documentable, benefits to the Atlantic Provinces. Various forecasts indicate that exploration and production activities could lead to the creation of some 20,000 - 30,000 direct (and as many as 150,000 indirect) jobs by 1988 through the investment of as much as \$11 billion. If the benefits of this potential are to accrue to Canada and the Atlantic Provinces early attention to infrastructure and institutional requirements (including training facilities) is indicated.

The investment associated with the exploration for oil and gas off the Atlantic Coast can provide the market for technical and development skills as well. Canadian companies will have access to these markets based on activities in our own waters which can lead, through proven capability, to future world wide sales. There is a need to encourage the strong ties similar to those that have developed in specialized fields between a number of Canadian firms and oil companies operating in areas like the North Sea and Southeast Asia.

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Anticipated needs primarily for new vessels, including new types of vessel, for offshore oil and gas activity and the fishing industry over the longer term, total billions of dollars. Therefore, strategically located shipbuilding and ship repair centres in the region should if well managed, be able to participate in supplying this need. Some reliance must be placed on domestic orders and locational advantages for ship repairs would be expected. Vessels providing surveillance, safety and defence, and those vessels used for the transport of Canadian resources and the harvesting of the fisheries, would be considered as logical candidates for both construction and repair in Atlantic yards.

In the longer term, opportunities exist in such ocean industry activities as onshore oil/gas base locations for likely offshore developments; production systems for offshore oil/gas, pipelines to shore, general support systems, etc., Arctic Class Vessels such as ice breakers, tankers, and service ships; and gear, instruments, dredging/reclaiming devices, etc., for off-shore mining.

The successful development of the extensive and diverse ocean potential requires close cooperation

between government participants, community interests and the various elements of the private sector in order to derive maximum benefit from opportunities that the ocean is seen to offer. The effects of increased shipbuilding and repair, and fish and petroleum processing on the economy of the Atlantic Provinces is viewed as a major development opportunity.

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The
Multilateral
Tariff
Negotiations

Generally, Canadian and foreign tariffs mainly apply to manufactured goods and are higher as the degree of processing increases. Since the Atlantic Region is primarily a producer and exporter of primary products and an importer of manufactured products, any lowering of tariffs, effectively tariffs on manufactured products, will likely provide net benefits to the Atlantic Region

The lowering of foreign tariffs should allow for more "value added" or further processing to take place in the Region before products are exported. In addition they should allow goods from the region to enter new markets.

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Producers in the Atlantic Region should thus be able to achieve economies of larger scale production which will make them more competitive and allow them to increase their sales.

However, not all of the anticipated affects of the MTN will be positive. Some of the more traditional industries in the region will face stronger competition in the domestic market and their ability to adjust to lowering Canadian tariffs will have to be carefully monitored.

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Transportation

Efficient, available and economical transportation is a key element in the operation and development of a modern economy. For the Atlantic Region economy, with its reliance on resource based industries which are typically transportation sensitive and with its heavy dependency on export markets in other parts of Canada and the world, transportation has remained an important issue for public policy over the years. In an Atlantic Region context, transportation is a particularly complex field because the transportation system is itself well developed and complex, transportation has a complicated regulatory environment and government subsidies may have distorted economic allocation and utilization decisions on the part of users and providers of transportation services.

Despite the recent improvements in the regional transportation system, there remain numerous opportunities to improve transportation systems and services and thereby encourage economic development. These opportunities relate to the changing circumstances of the Atlantic economy and innovation in transportation itself. In particular, the development of improved transportation systems and technology allowing more efficient water to rail, truck and more recently air freight interfaces will benefit the Atlantic Region. Atlantic ports will need to develop and expand in order to serve as a gateway to and from the continent. Regionally originated goods will provide a significant portion of outbound freight as the private sector in the region takes advantage of efficient and economical transportation to export markets.

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The 1980's would be expected to bring a further advancement in the regional highway grid, with particular emphasis on the Trans Canada Highway both in New Brunswick and Newfoundland; building of roads to resources in Labrador and other resource areas.

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Energy

The cost of energy will continue to rise through the 1980's, and there is a high probability that supplies of crude oil from foreign sources may become increasingly unreliable. These problems are national in nature, but of particular importance for the Atlantic Region due to high dependency on fossil fuels for energy generation.

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Consequently, it is a matter of strategic importance for the Atlantic Region to acquire alternative sources of energy during the 1980's. As the cost of energy rises, a number of alternative sources of energy in the region become more economically feasible. Therefore, energy development may provide an opportunity for major investment in the region to obtain secure energy sources at competitive prices. These strategies may include remote area hydro-electric generation such as the Gull Island Project in Labrador, discovery and development of off-shore oil and gas, development of Eastern Arctic gas, and Nova Scotia coal development. Some of these projects, tentatively proposed, could involve several billions of dollars in investment. Projects of this scale can provide significant employment opportunities to the region during their construction and, depending on the nature of the source, sizeable ongoing employment.

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The energy question for the Atlantic Region is perhaps one of the most critical issues facing the region. The development prospects for the economy of the region will in large measure be influenced in fundamental ways as choices are made between alternatives during the 1980's.

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Minerals

The contribution of the mineral sector to the economy of the Atlantic Region has increased during the 1970's and will continue to increase over the medium term. Newfoundland is and will remain the major mineral producer in the region due to its iron ore production, but its share of regional production will decrease as the mineral sectors of New Brunswick and Nova Scotia grow proportionately faster. Although further processing of metallic minerals in the Atlantic Region remains a likely possibility, growth of the mineral sector in the medium term will be mainly through increased production of raw materials resulting from increasingly aggressive mineral exploration activity.

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In New Brunswick, the major opportunities are in base metals development primarily in Northeastern

New Brunswick. An engineering study is presently underway to pre-design a new zinc smelter near Belledune. The new plant, if it went into production, would provide from 350 to 400 direct jobs. At present, zinc concentrate is exported in an unprocessed form. Another opportunity in New Brunswick is a major potash facility under development near Sussex. Uranium discoveries near Fredericton have lead to considerable prospecting activity. Increased coal production primarily for more coal-fired electrical generation is the major opportunity in Nova Scotia. Interesting amounts of lead, zinc, copper and uranium have also been discovered and this is encouraging a high level of exploration activity. In Newfoundland, there are no new mines under development and none definitely planned. However, the high level of exploration activity being experienced there leads to optimism concerning the future expansion of production capacity. Higher metal prices have heightened interest in several deposits now considered sub-economic or marginal. These include several copper deposits and a tungsten deposit.

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Forest-
based
Industries

The forest-based industries, which include logging, sawing, planing, pulp and paper and other wood industries, are and will continue to provide significant employment in the region. Although the devaluation of the Canadian dollar has provided some stimulus, the pulp and paper industry in the Atlantic Region was affected by the general economic slow-down and competition from new mills in the United States. In general, plant and equipment in the pulp and paper mills of the Atlantic Region tend to be in need of modernization in order to improve their productivity, reduce pollution and increase their energy efficiency. Facing strong competition, investments are required to overcome these problems. The situation in sawmills and planing mills is rapidly deteriorating. Low productivity and high costs affect the competitive position of the region.

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Ultimately, these industries depend on the forests. Unfortunately, in the Atlantic Region, the forests have been deteriorating for decades. Overcutting, high-grading, and other resource management shortcomings coupled with serious budworm infestation have contributed to a reduction in volumes of harvestable timber, quality

deterioration and low profitability on the part of many companies.

To protect employment and rehabilitate the forest industry will require aggressive and comprehensive action by government and industry. A number of important initiatives have been mounted in the 1970's but these will have to be significantly enhanced if progress in forestry management and rationalization is to be achieved in the 1980's.

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The
Atlantic
Region