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Canada-Ontario

GENERAL DEVELOPMENT AGREEMENT

joint review



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September 15, 1980

CANADA/ONTARIO

GENERAL DEVELOPMENT AGREEMENT

JOINT REVIEW

SEPTEMBER 15, 1980

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE NO</u>
INTRODUCTION	1
SUMMARY OF COST-SHARED SUBSIDIARY AGREEMENTS	3
SUMMARY OF TOTAL AUTHORIZED COSTS AND DISBURSEMENTS BY SUBSIDIARY AGREEMENT	4
GDA SUBSIDIARY AGREEMENTS	
Cornwall	5
Northwestern Ontario	8
Dryden Development Infrastructure	13
Interim Northlands	16
Northeastern Ontario	19
Single-Industry Resource Communities	24
Community and Rural Resource Development	29
Forest Management	33
Pulp and Paper Industry Facilities Improvement	37
Eastern Ontario	41

INTRODUCTION

On February 26, 1974, a General Development Agreement was signed by Canada and Ontario. It declared a 10-year period of partnership during which both governments, having specified certain socio-economic objectives, set down in broad terms the strategies needed to achieve them.

The basic aims stated in this enabling document are:

1. To improve opportunities for productive employment and access to those opportunities, and to sustain existing employment in the economically depressed parts of Ontario;
2. To encourage residents in these areas to participate to a greater degree in the benefits of economic growth; and,
3. To reinforce the policies and priorities of Ontario for regional development.

To date, ten subsidiary agreements have been signed. Four of these, the Dryden Development Infrastructure, Interim Northlands, Cornwall Area and Northwestern Ontario Subsidiary Agreements, have terminated. Combined funds authorized to date for the ten agreements total approximately \$396,000,000. Of this amount, approximately \$245,400,000 is to be cost-shared equally between Canada and Ontario. A further amount of \$150,000,000 is to be shared one-third by Canada and two-thirds by the Province, while a lesser amount of approximately \$600,000 will be funded fully by Canada.

The implementation of the subsidiary agreements signed to date has proceeded satisfactorily. Owing mainly to under-estimating, excessive cost overruns occurred in the Northwestern Ontario Subsidiary Agreement. These were financed through the application of available contingency allowances and amendments. Better analyses and control of estimates in subsequent sub-agreements has minimized over-expenditures.

Some procedural difficulties in implementation, mainly in the accounting of interim advance payments, have occurred in the past. However, a recent amendment to the payment procedures has rectified these problems.

Evaluation of progress towards the long-term objectives of the GDA has commenced in the form of an evaluation of some of the subsidiary agreements. This has been completed for the Cornwall and Dryden Development agreements. Evaluation of the Northwest Subsidiary Agreement is about 90% completed. The following pages present a brief analysis of the progress of each subsidiary agreement signed by Canada and Ontario to date.

CANADA/ONTARIO GENERAL DEVELOPMENT AGREEMENT

SUMMARY OF COST-SHARED SUBSIDIARY AGREEMENTS

(Signed to June 30, 1980)

<u>Title</u>	<u>Total Costs***</u>	<u>Duration of Agreement</u>
* Cornwall	\$16,245,480	26/02/74 to 31/03/77
* Northwestern Ontario	50,886,018	23/05/74 to 31/03/79
* Dryden Development Infrastructure	2,859,110	24/03/75 to 31/03/77
* Interim Northlands	425,265	07/07/75 to 31/03/78
* Northeastern Ontario	29,920,000	25/03/76 to 31/03/82
* Single-Industry Resource Communities	19,800,000	18/10/76 to 31/03/81
* Community and Rural Resource Development	9,456,650	07/12/77 to 31/03/83
* Forest Management	82,236,500	08/12/78 to 30/09/83
** Pulp and Paper	150,000,000	15/05/79 to 31/03/84
* Eastern Ontario	50,350,000	20/12/79 to 31/03/84

*Cost-shared on basis of one-half by Canada and one-half by Ontario.

**Cost-shared on basis of one-third by Canada and two-thirds by Ontario.

***This represents the total eligible costs including the full 15% contingency allowance where applicable, or the actual cost where the agreement has expired and the final costs are known.

NOTE

Under the Single-Industry Agreement, several of the projects under the Long Lake Reserve #77 program are shared equally between DREE and the federal Department of Indian Affairs and Northern Development.

SUMMARY OF TOTAL AUTHORIZED COSTS AND DISBURSEMENTS
BY SUBSIDIARY AGREEMENT

<u>Sub-Agreement</u>	<u>Total Authorized Costs (Schedule "A")*</u>	<u>Disbursements to June 30, 1980</u>
1. Cornwall	\$ 16,245,478	\$16,245,478
2. Northwestern Ontario	50,886,018	50,886,018
3. Dryden Development Infrastructure	2,859,110	2,859,110
4. Interim Northlands	425,266	425,266
5. Northeastern Ontario	28,243,494	18,106,458
6. Single-Industry Resource Communities	17,216,000	15,037,828
7. Community and Rural Resource Development	8,290,000	3,874,636
8. Forest Management	71,510,000	757,438
9. Pulp and Paper	150,000,000**	104,558,000
10. Eastern Ontario	50,350,000	203,134
	<hr/>	<hr/>
TOTAL	<u>\$396,025,366</u>	<u>\$212,953,366</u>

* Includes up to 15% contingency where applicable.

** Cost-shared on the basis of one-third by Canada and two-thirds by Ontario.

CORNWALL AREA SUBSIDIARY AGREEMENT

Signed: February 26, 1974

Effective Period: February 26, 1974 to March 31, 1977

Amendments: No. 1 - July 17, 1975
No. 2 - October 26, 1976

Total Eligible Costs: \$16,330,000
(including 15% contingency allowance)

Disbursements to Date: \$16,245,478 (final cost)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: Canada and the Province agreed to cooperate in the launching of measures designed to bring about a long-term expansion in the employment and income opportunities available in the Cornwall area through improvements in the local physical, socio-economic and cultural environment with particular emphasis on infrastructure assistance. These measures were to be pursued in a manner which would enhance the ability of the affected local governments to improve their fiscal position in the direction of greater self-sufficiency. More specifically, the objectives of the two governments, and thus of this subsidiary agreement, were:

- (a) to increase the number and range of viable employment and income opportunities available in the Cornwall area;
- (b) to improve Cornwall's physical, socio-economic and cultural environment.

Background: The city's problem came dramatically to a head in late 1969 when 650 workers were laid off at a major

industrial plant. This worsened an already critical unemployment problem so that, by 1970, the unemployment rate had risen to 25%.

Although by late 1973 this rate had dropped below 10%, a series of economic studies conducted jointly by DREE, Ontario and the municipality of Cornwall indicated that a broadening and expansion of industry was needed to stabilize the area.

Content:

Provision was made in the Agreement for the completion of the servicing of a 400-acre industrial park; construction of a civic centre complex to accommodate convention, recreational and cultural activities; development of two areas for tourism, recreational and commercial purposes; and the servicing of a single-industry site.

Progress:

These projects were satisfactorily completed during the fiscal year ending March 31, 1977.

An evaluation report has also been completed on the implementation and impact of this Agreement.

CORNWALL AREA SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule 'A')</u>	<u>Disbursements to March 31, 1977</u>
1. Eastern Industrial Park	\$ 1,830,478	\$ 1,830,478
2. Canal Lands Development	10,020,000	10,020,000
3. West-end Single-Industry Site	3,319,000	3,319,000
4. Tourist and Recreation Area	<u>1,076,000</u>	<u>1,076,000</u>
TOTAL	<u>\$16,245,478</u>	<u>\$16,245,478</u>

NOTE:

This Agreement has been completed. All costs shown are final costs.

NORTHWESTERN ONTARIO SUBSIDIARY AGREEMENT

Signed: May 23, 1974

Effective Period: May 23, 1974 to March 31, 1979

Amendments: No. 1 - August 25, 1975
No. 2 - December 12, 1975
No. 3 - December 12, 1975
No. 4 - March 31, 1977
No. 5 - July 19, 1977
No. 6 - March 21, 1978
No. 7 - December 29, 1978
No. 8 - March 7, 1979

Total Eligible Costs: \$50,888,650
(including 15% contingency allowance)

Disbursements to Date: \$50,886,018 (final cost)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: Canada and Ontario agreed to cooperate in the launching of measures designed to increase the number and range of viable employment and income opportunities in Northwestern Ontario. These measures consisted of selective improvements to the region's infrastructure and the investigation of possible development opportunities. Their pursuit was intended to achieve the following specific objectives:

- (a) strengthening the region's designated primate and strategic centres, as identified in "Design for Development: Northwestern Ontario Region - Phase 2";
- (b) increasing the net value of production by the resource-related industries in the Northwest through the processing of additional local raw materials prior to shipment elsewhere;

- (c) improving the transportation and communication systems within the Northwest; and,
- (d) making optimum use of existing public investments in the region by rationalizing, where possible, its urban structure.

Background:

This Agreement recognized the importance of Ontario's immense Northwest region - both as a transportation link and as a source of raw materials - and the significant role being played by Thunder Bay as the primate centre for the region, as identified in the provincial "Design for Development" report for the Northwestern Ontario Region. Particular emphasis was given to enlarging the role of Thunder Bay by assisting the City to expand its industrial and residential areas and to study the feasibility of establishing an industrial park to accommodate heavy industries. Further, Amendment No. 1 to this sub-agreement was approved to provide a stimulus to the tourist industry in the Kenora-Minaki area.

Content:

Provision was made in the agreement for the construction of new and the extension of existing sewage lines in Thunder Bay; construction of forest access roads; reconstruction of a major portion of Highway #599; expansion of a sewage treatment plant in Ignace; extension of an airport facility in Kenora and some highway intersection improvements between Kenora and Minaki.

Progress:

During construction, it became apparent that the actual costs of several major components would far exceed original estimates. For example, the Thunder Bay Infrastructure Program increased from \$23,218,000 to \$31,786,104; the Ignace Infrastructure Program rose from \$342,000 to \$596,746; and two of the Road Construction Projects, i.e.,

Marchington Road and Highway #599, rose from \$2,250,000 and \$6,000,000 to \$9,740,000 and \$11,433,776 respectively. These increased costs were accommodated by applying the standard contingency provisions, arranging special direct grants and other contributions outside the agreement, re-allocating project funds within the agreement and seeking additional funds for one road project. In the case of the Thunder Bay Infrastructure Program, CMHC made a direct grant of \$3,030,846 to the City of Thunder Bay. This amount was equally matched by a special provincial contribution. The City contributed a lesser amount.

On March 31, 1977, Amendment #4 allowing for curtailment or deletion of certain components under the agreement, was approved. The deletions included the Lake St. Joseph and Pistol Lake Projects allowing \$4,650,000 to be allocated elsewhere. The Lake St. Joseph project was indefinitely postponed due to economic conditions affecting the iron ore industry. A major forest fire in the Pistol Lake area precluded the proposed tourist development. Projects suspended prior to completion included the Highway Intersections and Thunder Bay Industrial Complex Study, realizing a further saving of \$553,234. which was applied to help offset overruns on the resource access roads projects.

Amendment #5, which increased the authorized ceiling of this agreement to \$50,888,650 in order to meet the revised cost of \$10,904,000 for Highway #599, was approved on July 19, 1977. Amendment #6, which extended the agreement termination date to allow for the completion of the Marchington Road and Kenora Airport projects, was approved on March 21, 1978.

Amendment #7, signed December 29, 1978, further extended the termination date to March 31, 1979, to allow for completion of the Marchington Road project. Amendment #8 signed March 7, 1979, permitted the finalization of costs on all projects and allocated the full 15% contingency allowance.

As of June 30, 1980, expenditures under this agreement were approximately equal to the total authorized value of \$50,888,650. All projects have been completed. An evaluation study is near completion.

NORTHWESTERN ONTARIO SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule "A")</u>	<u>Disbursements to June 30, 1980</u>
1. Community Infrastructure	\$26,321,157	\$26,318,525
2. Road Construction	22,869,939	22,869,939
3. Study Program	73,340	73,340
4. Kenora Area Infrastructure	<u>1,624,214</u>	<u>1,624,214</u>
TOTAL	<u>\$50,888,650</u>	<u>\$50,886,018</u>

NOTE

- (i) The total figure for 'Authorized Costs' under Schedule 'A' reflects the application of the full 15% contingency allowance towards several of the projects.
- (ii) All authorized projects have been completed.

DRYDEN DEVELOPMENT INFRASTRUCTURE
SUBSIDIARY AGREEMENT

Signed: March 24, 1975

Effective Period: March 24, 1975 to March 31, 1977

Total Eligible Costs: \$3,200,996
(including 15% contingency allowance)

Disbursements to Date: \$2,859,110 (final cost)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: Canada and the Province agreed to cooperate in the launching of measures which would support significant increases in the number and range of viable employment and income opportunities in the Central Patricia development area by enabling the Town of Dryden to fulfil its strategic role in the economic development of Northwestern Ontario. These measures consisted of selective improvements to the town's infrastructure and were intended to achieve the following specific objectives:

- (a) reinforcing a strategic centre and major transportation mode within Central Patricia, and
- (b) providing an environment suitable for stable economic and social development.

Background:

Traditionally, Dryden has been heavily dependent upon the forest resource sector as its major source of employment and municipal tax revenue. With the significant new resource developments now underway or anticipated in Central Patricia, the town's strategic location on major road, rail and air transportation routes will induce greater commercial activity locally and an expanded service sector.

While population growth in Dryden has lagged owing to a cyclical down-turn in the forest products sector, growth over the post-war period as a whole has been substantial, with the population increasing from 2,600 in 1951 to 6,900 by 1971. With new resource developments and their resulting multiplier effects on tertiary sector development, the near-term population increase was projected to be between 2,500 and 3,500.

The existing housing supply in Dryden was inadequate to meet present and future needs.

Large-scale capital projects were undertaken by the municipality in order to correct existing problems and provide the infrastructure and services required to accommodate a significantly increased population.

Content:

Provision was made in the agreement for the construction of a new water intake and treatment plant and a sanitary trunk sewer.

Progress:

This agreement was satisfactorily completed on schedule. The official opening ceremony for the water treatment plant took place in July, 1976. A joint evaluation has been completed.

DRYDEN DEVELOPMENT INFRASTRUCTURE
SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule "A")</u>	<u>Disbursements to March 31, 1977</u>
1. Water System Improvements	\$2,719,256	\$2,719,256
2. Sewer System Improvements	<u>139,854</u>	<u>139,854</u>
TOTAL	<u>\$2,859,110</u>	<u>\$2,859,110</u>

NOTE:

This agreement has been completed. All costs shown are final costs.

INTERIM NORTHLANDS SUBSIDIARY AGREEMENT

Signed: July 7, 1975

Effective Period: July 7, 1975 to March 31, 1978

Amendments: No. 1 - October 19, 1976
No. 2 - May 27, 1977

Total Eligible Costs: \$427,500

Disbursements to Date: \$425,266 (final cost)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: The objective of this subsidiary agreement was to enable the two governments to attack, in a limited way, some of the problems being faced by certain Ontario Northlands residents. The agreement was designed to complement the Ontario Design for Development Program for Northwestern Ontario. The specific objectives were:

- (a) to increase net employment opportunities in the region;
- (b) to increase the quantity of economic activity sponsored locally;
- (c) to provide options and opportunities for residents to participate more fully in the development of the region's potential; and
- (d) to improve the environment of the region in order to better the quality of life available to the local population.

Background: The Ontario Northlands as defined by the agreement is not a "region" in the traditional sense, but is rather a geosocio-economic area

which extends beyond the primate and strategic centres designated pursuant to Ontario's Design for Development Program.

The area selected for assistance under this agreement contains a substantial group of socially and economically disadvantaged people isolated from the mainstream of provincial social and economic life by barriers such as geography, low levels of educational attainment and poverty. A significant portion of this population is of "native ancestry" which in the past could depend on a natural environment for its livelihood, either by living off the land or by selling fish and furs.

Due to a general lack of knowledge on how to cope with modern health and living problems, many of these people live under appalling physical conditions. Their traditional life style is fast disappearing and too many of those affected do not have the opportunity or are ill-prepared to participate in the economic development of Ontario's Northlands.

Content:

Projects under the agreement included life-skills courses to prepare residents to participate in available manpower training programs; homemaker courses covering nutrition, hygiene, family budgeting and related subjects; development of a recreation area along the English River to supplement income of local residents; and a major study to identify manpower adjustment needs.

Progress:

All projects have been completed. On May 27, 1977, the agreement was amended to reallocate funds from the evaluation component to the Life-skills and Recreation Area projects.

INTERIM NORTHLANDS SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule "A")</u>	<u>Disbursements to Sept. 30, 1979</u>
1. Life-skills	\$ 89,500	\$ 89,500
2. Teaching Homemaker Skills	21,000	21,000
3. Recreation Area	54,766	54,766
4. Manpower Adjustment Study	<u>260,000</u>	<u>260,000</u>
TOTAL	<u>\$425,266</u>	<u>\$425,266</u>

NOTE:

This agreement has been completed. All costs shown are final costs.

NORTHEASTERN ONTARIO SUBSIDIARY AGREEMENT

Signed: March 25, 1976

Effective Period: March 25, 1976 to March 31, 1982.

Amendments: No. 1 - July 28, 1976
No. 2 - March 21, 1978
No. 3 - October 5, 1978
No. 4 - October 10, 1978
No. 5 - December 11, 1979
No. 6 - February 15, 1980

Total Eligible Costs: \$29,920,000
(including 15% contingency allowance)

Disbursements: \$18,106,458 (to June 30, 1980)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: The objective of this agreement is to provide the means through which needed financial assistance can be made available for approved projects aimed at alleviating identified constraints to the economic and social development of key population centres in Northeastern Ontario.

Background: The range, quality and accessibility of community services to residents of the northeast is generally lower than that available to residents of southern Ontario. Essential hard services are often sub-standard relative to the provincial average, even in the larger centres. Necessary physical infrastructure such as industrial parks, roads, sewers and other related services have proven costly to put in place and to maintain.

Under the development strategy, the present urban system must be strengthened by concentrating new economic activity in selected centres in order to maximize the benefits of growth. This focusing of growth will provide certain advantages such as maximum utilization of

investment in infrastructure, support for population increase due to industrial development, and provision of a larger, more skilled labour force for industry.

Content:

Provision is made in this agreement for construction of water, sewerage, storm drainage ditches and road facilities in the Walden Industrial Park in the Sudbury area; construction of water and sewerage facilities for the Woods Road Industrial Park in Carling Township, Parry Sound; construction of additional sewer and water facilities in the Timmins-Mountjoy and Tisdale-Whitney areas in Timmins; industrial planning and management studies in Parry Sound and Timmins; a bypass road need study in Timmins; and the development of an industrial park in North Bay, including roads, water, sewer and drainage facilities.

Progress:

Total disbursements to June 30, 1980 are \$18,106,458.

The Parry Sound Industrial Park and Study phase is now completed.

The Sudbury Walden Industrial Park is in the final stage of completion. Of the work remaining, a water tank and access road are both expected to be completed during the current fiscal year. Only a sewage forcemain remains to be installed.

In the Timmins area all work has been completed. Excessive cost overruns have been encountered which have been negotiated with Ontario. The final agreed eligibility level has been raised to \$12,298,100.

The City of North Bay is developing a 137 acre industrial park and adjacent area located between Marshall Avenue and Lakeshore Drive. There are four major infrastructure projects receiving GDA assistance including road, sewer

water and drainage services. Only two projects have been awarded to date: Park's Creek sanitary sewers #1 and #2 involving \$693,726. Both projects are now virtually completed.

Considerable delay in implementing the North Bay projects is currently being encountered due primarily to the following:

- A. the City's incomplete engineering of most projects;
- B. the City's inability to secure private land access;
- C. high water (flood) levels during spring of 1979;
- D. the lack of resolution regarding the Marshall Avenue Highway 11 interchange and the unresolved attendant railway relocation of the CNR line and overpass structure;
- E. the apparent over-capacity and location of the sewage pumping station;
- F. the apparent over-capacity sizing of the water standpipe;
- G. the probability of the extension of the sub-agreement by one year;
- H. the delayed and inaccurate financial forecasting of anticipated cash flow by the City, which has only recently been resolved; and
- I. the City's perceived view that, contrary to the agreement, the projects and fund allocations are to provide servicing capacity beyond the industrial park requirement.

Physical implementation to date is estimated at 65%.

Amendment No. 1, signed July 28, 1976, added the Timmins area.

Amendment No. 2, signed March 21, 1978, provided for a funding adjustment to the Parry Sound area.

Amendment No. 3, signed October 5, 1978, added the North Bay area.

Amendment No. 4, signed October 10, 1978, provided funding adjustment to the Sudbury area.

Amendment No. 5, signed December 11, 1979, provided funding adjustment to the Timmins area.

Amendment No. 6, signed February 15, 1980, revised the agreement payment procedure.

NORTHEASTERN ONTARIO SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule "A")</u>	<u>Disbursements to June 30, 1980</u>
1. Sudbury Area	\$ 3,386,000	\$ 3,151,438
2. Parry Sound Area	2,239,400	2,232,644
3. Timmins Area	12,298,100	12,090,302
4. North Bay Area	<u>10,320,000</u>	<u>632,074</u>
TOTAL	<u>\$28,243,500</u>	<u>\$18,106,458</u>

NOTE:

"Authorized costs " (Schedule 'A') reflects the partial application of the 15% contingency allowance in Items 1, 2 and 3.

SINGLE-INDUSTRY RESOURCE COMMUNITIES
SUBSIDIARY AGREEMENT

Signed: October 18, 1976

Effective Period: October 18, 1976 to March 31, 1981

Amendments: No. 1 - July 19, 1977
No. 2 - July 19, 1977
No. 3 - October 25, 1978
No. 4 - January 9, 1979
No. 5 - February 15, 1980

Total Eligible Costs: \$19,800,000
(including 15% contingency allowance)

Disbursements: \$15,132,978 (to June 30, 1980)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: The objectives of this agreement are:

- (a) to provide for the joint participation of Canada and the Province to diversify and stabilize the economies of single-industry resource based communities in Northern Ontario, consistent with the objectives of the GDA and the goals and recommendations of the Province concerning the development of growth centres;
- (b) to initiate a joint strategy which will provide appropriate program elements aimed at ameliorating the social and economic problems characteristic of single-industry resource communities with development potential. The long-range regional objectives are:
 - (i) to broaden the economic bases of single-industry communities currently vulnerable to fluctuations in the resource sectors to facilitate the development of alternative employment opportunities;

- (ii) to provide a living environment within these communities which will support a stable employment base in each centre and assist in attracting and retaining skilled labour; and,
- (iii) to encourage and sustain longer-term resource and related ancillary developments which will contribute to future economic diversification, by strengthening the urban structure of single-industry communities.

Background:

Although resource sectors are important components of the Canadian economy and offer significant growth potential, the present shortage of skilled and committed workers represents both an unnecessary production cost and an obstacle to future growth. Despite Canada's vast natural resources, manpower is a key factor in determining the success of resource-based development opportunities. With the advent of higher levels of technology in woodlands and mining operations, labour requirements have become more specialized and are now based on the need for greater technical skills. The shortage of skilled workers in Canada's resource industries is especially acute in remote areas. Consequently, labour turnover is abnormally high. Excessive turnover costs most frequently occur in communities unable to cope with servicing and infrastructure requirements which accompany rapid growth.

Growth centres will require improved urban services to complement, wherever possible, existing towns for service and dormitory functions in connection with the development of new resource-based economic activities. A major step in buttressing roles of growth centres is the provision of infrastructure assistance where required. This should include area-specific development programs as phases in a single-industry initiative concept to facilitate new opportunities for resource-based centres, to broaden and stabilize their economic bases.

Content:

Provision is made in this agreement for the construction of community infrastructure projects in Nakina, Longlac, Geraldton, White River, Hornepayne and Long Lake Indian Reserve #77; the construction of an airport adjacent to Geraldton; and surface access improvements between the airport and Geraldton.

Progress:

To date, the following projects have been completed or are near completion: Nakina Water, Nakina Sewage Treatment Plant, Geraldton Water, all projects in White River, Longlac Water and Sewage Treatment Plants, and Long Lake #77.

An official opening for projects in Nakina, Longlac, Hornepayne, White River and Geraldton is being planned for the fall of 1980. Retendering of the Geraldton Airport terminal building and maintenance garage has been completed and resulted in a reduced contract cost. The airport project should be completed within the original Schedule 'A' estimated cost of \$2,827,000, plus the project 15% contingency allowance. The paving portion of the project will not be completed until the summer of 1981. An amendment to extend the termination date of the agreement to allow completion of this project is being developed.

The Airport Access Improvement project will be completed to coincide with completion of the airport in 1981. A small overrun anticipated on the access project will be accommodated under the 15% contingency allowance.

The Hornepayne projects are nearing completion. Further funding, through utilization of the 15% contingency allowance, will offset a small portion of anticipated cost overruns on the entire town centre projects. The largest portion of the overruns will be funded entirely by the Province of Ontario.

The Long Lake #77 projects have been completed for a total cost of \$768,934, including some minor overruns. An amendment, plus the application of 15% contingency allowance is being prepared to finance the overruns on these projects.

Authorizations for all projects under this agreement have been issued.

Amendment #1, signed on July 19, 1977, permitted the retroactive payment of costs incurred for the Nakina Water Project prior to signing of the agreement.

Amendment #2, also signed on July 19, 1977, added the White River component to the agreement.

Amendment #3, signed on October 25, 1978, added the Hornepayne and Long Lake Reserve #77 components to the agreement.

Amendment #4, signed on January 9, 1979, reallocated funds from projects that were under cost to ones experiencing minor overruns.

Amendment #5, signed February 15, 1980, revised the agreement payment procedures.

SINGLE-INDUSTRY RESOURCE COMMUNITIES
SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule "A")</u>	<u>Disbursements to June 30, 1980</u>
1. Community Infrastructure	\$ 9,499,000	\$8,153,982
2. Transportation Development	3,841,000	2,930,474
3. White River Area Infrastructure	2,060,000	1,858,620
4. Hornepayne Area	1,130,000	1,130,000
5. Long Lake #77	<u>686,000</u>	<u>594,127</u>
TOTAL	<u>\$17,216,000</u>	<u>\$14,667,203</u>

NOTE

- (i) The 'Authorized Costs' total does not include the 15% contingency provision.
- (ii) Physical implementation to date is estimated at 85%.
- (iii) Under the Long Lake #77 program, four projects, totalling \$532,400 are being cost-shared equally by DREE and DIAND.

COMMUNITY AND RURAL RESOURCE DEVELOPMENT
SUBSIDIARY AGREEMENT

Signed: December 7, 1977

Effective Period: December 7, 1977 to March 31, 1983

Amendments: No. 1 - June 19, 1978
No. 2 - October 25, 1978
No. 3 - December 8, 1978
No. 4 - February 15, 1980

Total Eligible Costs: \$9,456,650
(including 15% contingency allowance)

Disbursements: \$3,874,636 (to June 30, 1980)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: This agreement has as its major objective the improvement of employment, income and development opportunities in eastern and northeastern Ontario. A variety of measures were designed to strengthen the community structures in selected urban and rural areas by:

- (a) encouraging the development of secondary industry and providing the potential for productive long-term employment primarily related to the development of natural resources indigenous to the areas;
- (b) providing increased and expanded initiatives in silvicultural technology relating primarily to hardwood and hybrid poplar research, technical development, accelerated growth and marketing prospects;
- (c) encouraging urban and rural residents to participate in and contribute to the expansion of existing and the innovation of new socio-economic potentials within their respective communities.

Background:

In recognition of the socio-economic disparities that have existed in eastern and northeastern Ontario as a result of declining resource exploitation and the disproportionate growth of the secondary manufacturing and tertiary sectors, a range of assessment initiatives was deemed essential to provide a potential growth focus in those areas providing economic potential, thus expediting and maximizing the investment opportunities that are expected to be created.

Content:

Provision has been made in this agreement for forest and mineral assessments, nutrient removal, resource testing and water filtration plant design studies in Pembroke, and financial support for the establishment of a unified economic development program in the Pembroke, Renfrew Area; a forest and agriculture resource inventory, hardwood stand improvements, and a large scale hybrid poplar research, technical development and nursery operations in eastern Ontario; and a comprehensive series of surveys, maps and reports of the mineral potential in the Kirkland Lake area.

Progress:

Total disbursements to date are \$3,874,636.

In the Upper Ottawa Valley all projects with the exception of the Regional Economic Development Assistance project will be completed in 1980/81. Expenditures to June 30, 1980 are \$881,012.

The Province and municipal officials are pressing for an Upper Ottawa Valley Phase II agreement involving infrastructure for the proposed Pembroke industrial park.

At the Minister's meeting of June 27 1980 the Honourable Pierre De Bané agreed to have his staff reconsider the industrial park initiative. DREE Ontario in consultation with provincial officials developed a draft cost-share proposal totalling some \$16.9 million, involving contributions by all three levels of government. The federal and provincial share would be \$5.6 million each with the balance of the funding being supplied locally by participating municipalities. The Province has written to the Mayor of Pembroke and the Reeves of Stafford and Pembroke townships suggesting joint financing of the proposed initiative. No reply has, as yet, been received from the municipalities.

Expenditures related to the New Forests in Eastern Ontario program to June 30, 1980 are \$2,285,814. This work is not scheduled for completion until March 31, 1983.

Recorded expenditures to June 30, 1980 in the Kirkland Lake area are \$707,810. All projects are scheduled for completion by March 31, 1983.

Amendment No. 1, signed June 19, 1978 added New Forests in Eastern Ontario.

Amendment No. 2, signed October 25, 1978, added the Kirkland Lake area.

Amendment No. 3, signed December 8, 1978 provided for a content adjustment in New Forests in Eastern Ontario.

Amendment No. 4, signed February 15, 1980, revised the agreement payment procedure.

COMMUNITY AND RURAL RESOURCE DEVELOPMENT
SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule 'A')</u>	<u>Disbursements to June 30, 1980</u>
1. Phase I Upper Ottawa Valley	\$1,218,000	\$ 881,012
2. New Forests in Eastern Ontario	4,780,000	2,285,814
3. Kirkland Lake Area Geoscientific Surveys	<u>2,292,000</u>	<u>707,810</u>
TOTAL	<u>\$8,290,000</u>	<u>\$3,874,636</u>

NOTE:

- (i) "Authorized Costs" (Schedule 'A') reflects the partial application of the 15% contingency provision.
- (ii) Physical implementation to date is estimated at 45%.

FOREST MANAGEMENT
SUBSIDIARY AGREEMENT

Signed: December 8, 1978

Effective Date: December 8, 1978 to September 30, 1983

Amendments: No. 1 - February 15, 1980

Total Eligible Costs: \$82,236,500
(including 15% contingency allowance)

Disbursements: \$757,438 (to June 30, 1980)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: The purpose and objectives of this agreement are:

- (a) to provide, through the joint participation of Canada and the Province, a viable mechanism which will enhance forest management activities and accelerate reforestation and private sector employment in an effort not only to create new employment but to sustain existing productive employment opportunities which are currently in jeopardy;
- (b) to provide financial contributions to improve the viability of the forest products industry in Ontario by:
 - improving and further developing forest access
 - permitting improved resource management and protection
 - reducing wood harvesting and transportation costs
 - facilitating multi-use benefits from improved access networks such as tourism, recreation, mineral exploration, community linkage;

- (c) to provide for the development of nursery facilities and silviculture camps required to support rapidly expanding forest management programs; and,
- (d) to provide for data collection and applied pilot research and development projects in order to remove specific constraints to an accelerated forest management program.

Background:

The forest industry in Ontario is comprised of the logging and wood industries, and the paper and allied industries which provide in total direct employment for approximately 78,000 persons. Northeastern and Northwestern Ontario are the dominant areas in terms of wood harvested and the manufacture of primary commodities.

From the viewpoint of current forest management practices and requirements, much of the forest base is inadequately accessed. With the province's allowable cut being largely allocated, it is important that mature and over-mature timber stands be harvested before they become decadent and lost to fire, wind, insects or disease. If these stands are not accessed and harvested, younger and less productive areas would have to be harvested to satisfy industry requirements. In both cases, additional acreages would require regeneration treatment.

In order to improve the viability of the forest industry in Ontario, this agreement focuses on three major program areas: provision of forest access, expansion of nursery and silvicultural capital facilities, and the extension and application of forest management surveys.

Content:

Provision is made in this agreement to support the construction of improved and incremental forest access roads and to provide capital for nursery facilities and remote silviculture camps which are required to support an expanded forest management program. The agreement also includes several programs of data collection and applied pilot research and development which could have the potential for removing specific constraints to an accelerated forest management program.

Progress:

To June 30, 1980, eight submissions for forest access roads were approved, with seven proposals awaiting cost validation. In addition, two consulting firms located geographically in the northeastern and northwestern areas of the province, have been retained to audit construction progress in accordance with pre-determined standards approved by the Management Committee. A project for two contract staff has also been approved. Approximately \$17,703,000 has been authorized for proposed work under the Forest Access program.

Forest Access guidelines and a related submission format were drafted by the Technical Advisory Committee and approved by the Management Committee before companies were invited to submit proposals.

Projects involving the construction of twelve silviculture camps, the expansion of two provincial nurseries, three soil survey projects and twenty pilot research and development projects have also been approved. Total costs authorized to date under the Nursery Expansion, Silviculture Camps, Soil Survey and Assessment programs are \$9,432,340.

Approximately \$757,000 has been paid out for work completed under this agreement through June 30, 1980.

Amendment #1, signed February 15, 1980, revised the agreement payment procedures.

FOREST MANAGEMENT
SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule "A")</u>	<u>Disbursements to June 30, 1980</u>
1. Forest Access	\$60,000,000	\$450,590
2. Silviculture Camps	1,910,000	306,848
3. Nursery Expansion	5,000,000	Nil
4. Soil Survey	1,000,000	Nil
5. Assessment	<u>3,600,000</u>	<u>Nil</u>
	<u>\$71,510,000</u>	<u>\$757,438</u>

NOTE:

- (i) "Authorized Costs" (Schedule "A") does not include the 15% contingency allowance.

PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT
SUBSIDIARY AGREEMENT

Signed: May 15, 1979

Effective Period: May 15, 1979 to March 31, 1984

Amendments: No. 1 - December 13, 1979

Total Eligible Costs: \$150,000,000

Disbursements: \$104,558,000 (to June 30, 1980)

Cost-Share Ratio: One-third Federal/Two-thirds Provincial

Objectives: To enable Canada and Ontario to participate jointly in a program of incentives to assist the industry in meeting the costs of conforming to pollution abatement standards, and to improve the viability and competitiveness of the pulp and paper industry in Ontario. Specifically, incentives will be provided for capital expenditures associated with the manufacturing and processing of primary pulp and paper products and relating to:

- pollution abatement
- modernization of production processes;
- rationalization of production;
- increases in value-added of production; and,
- efficient utilization of energy resources.

Background: Canada announced a program of assistance to the pulp and paper industry on January 31, 1979 and Ontario announced a similar program February 1, 1979. The two programs were meshed under the aegis of the Canada-Ontario Pulp and Paper Subsidiary Agreement, effective May 15, 1979.

The pulp and paper industry, which is Ontario's fifth largest manufacturing industry, is highly cyclical and has generated relatively low rates of return in the past. As a result, the industry has not generated

the earnings required for investment in new plant and equipment to meet statutory environmental requirements or modernization and productivity improvements. To meet these needs it is estimated that \$1.2 billion is required to be invested over the next five years. The two governments concluded that it was timely to take advantage of the present bouyant conditions, brought about by the devalued Canadian dollar and strong markets, by providing an incentive to motivate industry to make necessary investments and thus ensure its long-term health.

Progress:

Guidelines covering eligibility, assessment, funding and implementation procedures were approved by the joint Management Committee in June, 1979.

Six companies have made commitments under the program. The first contract under the agreement was signed on August 3, 1979 with the Spruce Falls Power and Paper Company Limited to improve its Kapuskasing plant; Ontario and Canada agreed to offer a total of \$7 million in incentives over the next four and one-half years toward completion of an \$88.2 million capital expenditure program by the Company. The \$7 million incentive is shared \$4.7 million by Ontario and \$2.3 million by Canada.

The second contract signed on November 28, 1979 was with E. B. Eddy Forest Products Limited for improvements to its facilities at Espanola and Ottawa. Of the \$185.34 million in proposed capital expenditures, the two governments agreed to contribute \$25 million shared \$16.7 million by Ontario and \$8.3 million by Canada.

The third contract, with Domtar Incorporated for \$103.7 million in capital expenditures was signed

at Cornwall on December 20, 1979 to modernize its pulp and paper making facilities at Cornwall, Red Rock and Trenton. The \$15.75 million incentive is shared \$10.5 million by Ontario and \$5.25 million by Canada.

The fourth contract was signed with Abitibi-Price Inc. on February 26, 1980. The incentive of \$22.5 million, shared \$15 million by Ontario and \$7.5 million by Canada, is based on capital expenditures of \$180.6 million. The modernization will be undertaken at facilities in Thunder Bay (3 mills), Sault Ste. Marie, Smooth Rock Falls, Thorold and Iroquois Falls.

The fifth contract was signed with the Ontario Paper Company Limited on March 3, 1980 to rebuild its facilities at Thorold, Ontario and to encourage product diversification. The incentive of \$32 million, shared \$21.3 million by Ontario and \$10.7 million by Canada, is based on capital expenditures of \$221.3 million.

Great Lakes Forest Products Limited signed the sixth contract for a five-year capital expenditure program of \$294.3 million involving its facilities at Thunder Bay and Dryden. The incentive of \$38 million is shared \$25.3 million by Ontario and \$12.7 million by Canada.

Federal and Provincial officials have completed negotiations for increasing the maximum allowable expenditure under the Subsidiary Agreement from \$150 million to \$180 million. DREE is currently awaiting approval to execute the amendment which will increase the federal participation by \$10 million and provincial participation by \$20 million.

PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT
SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Costs (Schedule 'A')</u>	<u>Disbursements Federal</u>	<u>to June 30/80 Provincial</u>
1. Spruce Falls	\$ 6,990,000	\$ 2,330,000	\$ 4,670,000
2. Domtar Inc.	15,750,000	5,250,000	10,500,000
3. Abitibi-Price Inc.	22,500,000	3,470,000	15,000,000
4. E. B. Eddy	24,990,000		16,670,000
5. Ontario Paper	31,980,000		21,334,000
6. Great Lakes	38,100,000		25,334,000
7. Unallocated Funds	<u>9,690,000</u>	<u> </u>	<u> </u>
TOTAL	<u>\$150,000,000</u>	<u>\$11,050,000</u>	<u>\$93,508,000</u>

NOTE:

"Authorized Cost (Schedule 'A')" is based one-third Federal, two-thirds Provincial participation

There is no 15% contingency provision under this agreement.

EASTERN ONTARIO SUBSIDIARY AGREEMENT

Signed: December 20, 1979

Effective Period: December 20, 1979 to March 31, 1984

Amendments: Nil

Total Eligible Costs: \$50,350,000

Disbursements: \$203,134 (to June 30, 1980)

Cost-Share Ratio: 50% Federal/50% Provincial

Objectives: Canada and the Province have agreed to participate jointly in the development of programs for the improvement of the economic and social well-being of Eastern Ontario residents. This is to be achieved by reinforcing the policies and priorities of the Province for regional development as they relate to eastern Ontario, and in support of the Federal Government's policy to strengthen the resource sectors of Canada. Pursuant with these objectives, contributions will be made to accelerate the development through supplementary federal and provincial resources. These development initiatives will be aimed at:

- stabilizing the economy
- diversifying the economy
- increasing the utilization of natural resources,
- ensuring the long-term availability of natural resources, and
- stimulating private sector investment.

Background:

Eastern Ontario is characterized by slow-growth, low income levels and pockets of high unemployment. Textile and electrical industries which form the base of the region's manufacturing sector have lost ground to foreign imports despite import quotas, tariffs and the exchange benefits of a depreciated Canadian dollar. The agricultural sector has undergone a period of rationalization, especially in the production of dairy products. The public administration sector, which is the leading employer in the region, has weakened as a result of a federal policy to constrain the growth of its civil service.

Content:

Economic sectors in which programs will be carried out include agriculture, forestry, minerals and tourism. A small business incentives program, and a South Nation River Basin Study, flood control and water management program, a public information program, and an analysis and review program are also included under the Agreement.

Progress:

Funding support, for each project identified under a sub-program component of Schedule 'A' to the agreement, requires the approval of the Management Committee.

Seven sub-committees have also been formed, one for each program, (except Analysis and Review) to assist the Management Committee with the implementation of the agreement. Approximately 40 federal-provincial officials are involved in these committees.

To June 30, 1980, approximately \$203,000 was paid out for work completed in 1979/80 under the Forestry and Minerals programs.

To June 30, 1980, twenty-one projects under the Agriculture program have been approved. The total authorized funding for these projects is \$619,498.

Five projects were approved under the Forestry program by June 30, 1980, totalling \$3,095,000.

A total of eleven projects was approved under the Minerals program at a total authorized amount of \$856,000.

As of June 30, 1980, only two projects under the Small Business Incentives program were approved, totalling \$93,250.

As of June 30, 1980, one small project estimated to cost \$10,000, was approved under the Analysis and Review program.

No projects are approved under the Tourism and Public Information programs.

As of June 30, 1980, eight projects were approved under the South Nation River program. The total authorized amount is \$2,862,290.

EASTERN ONTARIO SUBSIDIARY AGREEMENT

<u>Item</u>	<u>Authorized Cost (Schedule 'A')</u>	<u>Disbursements to June 30, 1980</u>
1. Agriculture	\$14,000,000	Nil
2. Forestry	9,000,000	\$193,216
3. Minerals	4,000,000	9,918
4. Tourism	4,000,000	Nil
5. Small Business Incentives	10,000,000	Nil
6. Analysis & Review	250,000	Nil
7. Public Information	100,000	Nil
8. South Nation River	<u>9,000,000</u>	<u>Nil</u>
TOTAL	<u>\$50,350,000</u>	<u>\$203,134</u>

NOTE:

There is no 15% contingency provision under this agreement.

