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WESTERN REGION

ECONOMIC CIRCUMSTANCES AND OPPORTUNITIES

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

April, 1973

SEP 20 1973

WESTERN REGION

Economic Circumstances And Opportunities

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INTRODUCTION

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

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

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

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

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

ECONOMIC CIRCUMSTANCES

BACKGROUND

Prior to 1870, what is now western Canada--the provinces of Manitoba, Saskatchewan, Alberta and British Columbia--comprised two entities: the united island and mainland colony of British Columbia; and Rupert's Land and the Northwestern Territory under the control of the Hudson's Bay Company. European settlement, apart from a few explorers and fur traders, was extremely limited. Soon after Confederation in 1867, the new nation of Canada acquired the Hudson's Bay Company's holdings in the northwest. From this vast territorial expanse, Manitoba was created in 1870 and Saskatchewan and Alberta in 1905. British Columbia entered Confederation in 1871 following a pledge by Canada to link the colony with the east via the Canadian Pacific Railway by 1881. There ensued a mass movement of settlers to the west attracted by the available land, the effective survey system adopted by the land administrators, the federal government's free-homestead policy and the growing railway network.

In accordance with Sir John A. MacDonald's National Policy, the west was visualized initially as a source of raw material and food exports and as a market for the products of tariff-protected eastern manufacturers. Prairie wheat supplanted furs and fish as the great Canadian export staple. Mining was the main source of economic dynamism in British Columbia until early in the 20th century, when it was superseded as an employment-generator by logging and lumbering. Subsequently, pulp and paper emerged as a major component of British Columbia's economic base. While all of the west was hit hard by the Great Depression beginning in 1929, the largely single-crop prairies were economically the hardest hit because of their lack of economic diversity, their heavy reliance on shrinking international markets, and such natural disasters as drought and grasshoppers. World War II brought about an economic resurgence but little structural change. The economy of western Canada in 1945 remained essentially resource-oriented.

The economy of western Canada boomed during the early postwar period. The most dynamic sector was mining, where a number of important developments occurred including: the discovery of major crude oil reserves at Leduc, Alberta in 1947; the opening of the Lynn Lake, Manitoba nickel mine in 1953; the inauguration of the Uranium City, Saskatchewan uranium development in 1958; the aluminum processing in Kitimat, British Columbia; the beginning of potash mining in Saskatchewan during the late fifties; and the advent of nickel mining at Thompson, Manitoba in 1960.

Examples from the oil and gas industry can be used to give a quantitative dimension to the western economic upturn. National crude oil production, almost all of it from the west, soared from 21,000 bbl/d in 1946 to 640,000 bbl/d in 1961. Natural gas production jumped from 143,000,000 to 1,951,000,000 cubic feet a day over the same period. Similarly, oil refinery capacity in the west increased five-fold from 62,615 bbl/d to 301,000 bbl/d.

Other noteworthy developments in western Canada during the first decade and a half after 1945 included a decline in the number of trade centres on the prairies due in part to the extensive dieselization programs launched by the railways during the fifties, a weakening in Winnipeg's historical role as the gateway to the west in the face of increased air travel and a gradual rise in the economic strength of competing cities, and the first attempts to establish secondary manufacturing enterprises in the west on a considerable scale, with a view to reducing the dependence of the regional economy on resource activities. Wheat continued to dominate the agriculture sector despite the extremely depressed wheat markets at the beginning of the sixties.

THE SIXTIES

The following pages and tables describe in some detail the socio-economic performance of the west during the sixties. The analysis is complicated for two reasons. There are, first, a variety of socio-economic indicators which must be reviewed to describe accurately, objectively and technically the socio-economic situation of the region. Second, and more significantly, the west is in many ways not a region. It is not very homogeneous; indeed, the region is, as this paper indicates, heterogeneous. It consists of various sub-regions or areas which have had varied experiences and problems: four provincial economies, two of which (Alberta and British Columbia) have generally performed above the national average and the other two (Manitoba and Saskatchewan) generally below; rapidly growing

large urban centres, particularly in British Columbia and Alberta, and declining rural areas and small centres; and a generally affluent southern region and an unstable and often extremely poor north. Even that is an over-simplification for there are various differences within each of these areas.

Table 1 summarizes the different rates of change for each of the western provinces. It compares the performance of the west and its provinces with the rest of Canada in such indicators as population, labour force, employment, income and production. The percentage changes are in most cases those from 1961 to 1971. It can be seen that the west generally expanded more rapidly during the sixties than the economy of Canada as a whole and better than the other regions except Ontario. Even more apparent are the substantial differences in growth rates among the four western provinces. Saskatchewan's economy contributed little to western growth during the sixties: agricultural production distorted the income and the production figures. Manitoba fell behind the national and regional growth. Alberta and British Columbia surged ahead, leaving Saskatchewan and Manitoba further behind, and performed generally more rapidly than the rest of the country, except again Ontario.

The remaining paragraphs and tables elaborate on many of these points and differences within the region. Generally, however, the report reviews the west relative to Canada. For detailed analyses of the socio-economic situation in each province and in the northern parts of the provinces, refer to the companion working papers on Manitoba, Saskatchewan, Alberta, British Columbia and the Western Northlands.

Population

Western Canada's population grew between 1961 and 1971, from 4,808,000 to 5,727,000, or by 1.9 per cent per annum. This rate was slightly higher than the national equivalent with the result that the west's share of Canada's population increased from 26.4 per cent to 26.6 per cent. However, Manitoba's and Saskatchewan's share of the population of Canada--and of the west--dropped, while Alberta's and British Columbia's increased.

TABLE 1

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

	<u>Population</u> %	<u>Labour Force</u> %	<u>Employment</u> %	<u>Census Value Added in the Goods-Producing Sector</u> %	<u>Value of Total Manufacturing Shipments</u> %	<u>Personal Income Per Capita</u> %	<u>Investment Per Capita</u> %
<u>Canada</u>	<u>18.3</u>	<u>32.4</u>	<u>33.4</u>	<u>93.5</u>	<u>101.3</u>	<u>106.2</u>	<u>94.0</u>
Atlantic Region	8.4	18.4	21.9	117.6	91.0	114.7	149.0
Quebec Region	14.6	31.5	33.0	79.4	86.1	103.4	66.4
Ontario Region	23.5	35.3	35.7	96.1	114.6	103.0	101.1
<u>Western Region</u>	<u>19.1</u>	<u>33.7</u>	<u>34.3</u>	<u>97.4</u>	<u>91.5</u>	<u>99.6^a</u>	<u>90.1</u>
Manitoba	7.2	14.0	14.2	94.1	71.4	105.7	71.8
Saskatchewan	0.1	8.8	9.5	80.0	61.2	72.5 ^a	54.1
Alberta	22.2	35.0	35.0	113.0	97.4	106.2	69.7
British Columbia	34.1	58.4	60.7	92.0	101.3	96.0	120.5

a Includes, for Saskatchewan, 1960-62 average to 1969-71 average. This procedure was followed because of Saskatchewan's extreme vulnerability to fluctuations in international wheat markets.

b 1961-70

c 1961-69

Source: Statistics Canada, various publications

TABLE 2

PROVINCIAL POPULATION AS PERCENTAGE OF CANADA AND THE WEST

	<u>Of The West</u>		<u>Of Canada</u>	
	<u>1961</u>	<u>1971</u>	<u>1961</u>	<u>1971</u>
Manitoba	19.2	17.3	5.1	4.6
Saskatchewan	19.2	16.2	5.1	4.3
Alberta	27.7	28.4	7.3	7.5
British Columbia	<u>33.9</u>	<u>38.2</u>	<u>8.9</u>	<u>10.2</u>
The West	100.0	100.0	26.4	26.6

Source: Computed from Census of Canada data.

The number of dependents per economically-active person, i.e. the number of children and old people for each member of the 15-64 age group, was higher in the west than in the country as a whole in both 1961 and 1971. On the other hand, dependency ratios generally declined during the sixties with a relative increase in the size of the aged population being more than offset by a relative decline in the number of youngsters. This trend, while evident in the west, was more pronounced at the national level. Table 3 compares the age distribution of the regional and national populations in 1961 and 1971.

TABLE 3

POPULATION AGE DISTRIBUTION

WESTERN CANADA AND CANADA, 1961 AND 1971

<u>Year</u>	<u>Age Grouping</u>			<u>Dependency</u>
	<u>0-14</u>	<u>65+</u>	<u>15-64</u>	<u>Ratio</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>(0-14&65+/15-64)</u>
1961 West	33.1	8.9	58.0	0.73
1961 Canada	34.0	7.6	58.4	0.71
1971 West	29.5	9.0	61.5	0.63
1971 Canada	29.6	8.1	62.3	0.60

Source: Computed from Census of Canada data.

Both the birth and death rate declined in the west during the sixties. The birth rate declined from 26.0 to 18.2 per thousand, a sharp drop but not as striking as the drop from 26.3 to 17.3 per thousand in the nation. The death rate fell from 7.8 to 7.5 per thousand corresponding roughly to the national decline from 7.7 to 7.3 per thousand.

As a consequence of net in-migration, the population of western Canada increased over the decade, ending in 1971 at 252,400 more than it would have done on the basis of natural increases. This net migrant total was equal to 4.4 per cent of the region's 1971 population. On an average, there were 22,945 new residents a year. Interestingly, net migration flows for the prairies were predominantly outwards. During the period under review here, net in-migration in the prairies occurred only in 1961, 1968, and 1969. Alberta had in-migration each year except during 1964-66. The British Columbia situation was very different: net migration flows were always inwards.

While urbanization proceeded rapidly in the west in the sixties, the region was less urbanized than the nation as a whole in both 1961 and 1971. In 1961, 62.6 per cent of all westerners were living in centres having 1,000 or more inhabitants; the equivalent 1971 figure was 70.3 per cent. Comparable Canada figures were 69.6 per cent (1961) and 76.1 per cent (1971). Of course, the complement of urbanization, rural decline, is also very much part of the mosaic of the west. In Saskatchewan, in particular, rural areas are losing population very rapidly.

In 1971, 16 centres in western Canada had a population of 20,000 or more (Table 4): two in Manitoba, four in Saskatchewan, five in Alberta and five in British Columbia. Altogether, they accounted for 50.9 per cent of the total regional population in 1961 and 56.8 per cent in 1971. Metropolitan Vancouver was by far the largest centre: it was twice as big as the next-in-line, metropolitan Winnipeg. The urban hierarchy in western Canada is as follows:

1971 population over 1,000,000	1 centre(s)
" " 800,000 - 1,000,000	0 "
" " 600,000 - 800,000	0 "
" " 400,000 - 600,000	3 "
" " 200,000 - 400,000	0 "
" " 100,000 - 200,000	3 "
" " 20,000 - 100,000	9 "

In other words, the west in 1971 contained one major city, three medium-sized cities, and 12 small cities. Out of this group, one centre (Moose Jaw) lost population during the

1961-71 period. A number of the smaller centres below 20,000 are losing population (in Saskatchewan) or generally growing slowly (in the other provinces).

In addition to population data, Table 4 presents selected information on taxable income, retail sales, and manufacturing shipments for each of the centres listed.

Labour Force and Employment

A substantial increase occurred in the western Canada labour force over the 1961-71 decade (Table 5). The number of people working or looking for work rose by 583,000 or 33.7 per cent. The average annual rate of increase was 3.0 per cent. Growth was continuous during the sixties although there were notable year-to-year fluctuations around the average annual figure. As Table 1 indicates, provincial growth rates varied substantially with Saskatchewan and Manitoba's labour force increasing only 8.8 per cent and 14.0 per cent respectively from 1961 to 1971, while the labour force in Alberta and British Columbia expanded 35.0 per cent and 58.4 per cent respectively.

Employment in western Canada also rose substantially between 1961 and 1971, from 1,627,000 to 2,185,000, an average annual increase of 55,800. But again, Saskatchewan's and Manitoba's employment expanded slowly during the sixties (9.5 per cent and 14.2 per cent), while employment in the other two provinces grew rapidly (35.0 per cent for Alberta and 60.7 per cent for British Columbia) (Table 1).

The main employment growth sectors were commercial and personal services, trade, manufacturing, transportation, finance, administration and construction. Mining, forestry and fishing also provided an increased number of jobs. Only one sector, agriculture, experienced a loss of employment; direct farm employment is estimated to have decreased from 326,000 to 256,000. Agriculture declined more rapidly in Saskatchewan and Manitoba, and service employment grew less rapidly, than in Alberta and British Columbia.

The rate of unemployment in western Canada was consistently below the national average during the sixties despite the above-average rates characteristic of British Columbia (Table 5). The 1961-71 annual averages for the west and Canada were 4.3 per cent and 5.1 per cent respectively. The low rates for the prairies were a reflection not of large employment gains but large flows of out-migrants from Saskatchewan and Manitoba. The relatively high rate of unemployment for British Columbia (e.g. 7.0 per cent in 1971) reflects in-migration running ahead of the rate of job creation, in spite of an employment growth rate about double that of the national average.

TABLE 4

SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES IN WESTERN CANADA

1960-71

	Population		Total Taxable Income		Value of Retail Sales		Value of Mfg. Shipments	
	1961	1971	1963	1969	1961	1966	1960 ^a	1968
				\$M		\$M		\$M
Vancouver (Metro) (B.C.)	790,165	1,082,352	1,148.1	2,514.1	835.6	1,260.2	968.4	1,785.0
Winnipeg (Metro) (Man.)	476,543	540,262	736.4	1,349.1	493.1	624.5	601.0	927.0
Edmonton (Metro) (Alta.)	337,568	495,702	545.8	1,221.8	388.2	551.2	414.9	648.5
Calgary (Alta.)	279,062	403,319	458.6	1,067.9	342.5	461.4	268.0 ^b	477.3 ^c
Victoria (Metro) (B.C.)	154,152	195,800	229.8	506.6	157.3	234.3	57.4 ^c	81.9 ^c
Regina (Metro) (Sask.)	112,176	140,734	194.3	338.8	132.2	188.2	99.2	140.9
Saskatoon (Sask.)	95,564	126,449	141.9	300.4	111.2	165.4	94.4	151.2
Lethbridge (Alta.)	35,454	41,217	52.8	98.5	55.1	67.4	24.5	125.9
Prince George (B.C.)	13,877	33,101	44.4	121.4	27.6	66.7	15.7	34.5
Moose Jaw (Sask.)	33,206	31,854	44.3	66.0	50.5	56.1	48.1	41.4
Brandon (Man.)	28,166	31,150	37.7	71.0	35.2	49.3	14.1	27.2
Prince Albert (Sask.)	24,168	28,464	28.5	59.4	28.1	38.9	22.2	33.3
Red Deer (Alta.)	19,612	27,674	33.2	67.1	33.8	51.6	9.8	41.4
Medicine Hat (Alta.)	24,484	26,518	28.6	55.5	32.1	41.0	33.0	66.0
Kamloops (B.C.)	10,076	26,168	34.1	88.8	22.9	58.2	4.5	8.1
Port Alberni (B.C.)	10,560	20,063	37.1	64.9	15.3	24.5	n/a	n/a
TOTALS	2,444,833	3,250,827	3,795.6	7,991.3	2,760.7	3,938.9	2,675.2	4,589.6
TOTAL REGION	4,807,893	5,726,984	5,842.9	12,063.2	4,348.8	6,274.0	3,909.9	6,825.4
MAJOR CENTRES AS % OF REGION	50.9	56.8	65.0	66.2	63.5	62.8	68.4	67.2

^a Value of production rather than value of shipments.

^b 1961 value of shipments.

^c Victoria City rather than Metropolitan Victoria.

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

The aggregate labour force participation rate for the region was consistently above the national average between 1961 and 1971 (Table 5). The 1961-71 average annual aggregate participation rates for the west and Canada were 55.6 per cent and 54.9 per cent respectively. In both cases, the trend was upwards. Contrary to the aggregate situation, male participation rates were lower in the west than Canada until 1968; nonetheless, over the 1961-71 period as a whole, the male regional rate exceeded the national figure. Male participation rates fell generally over the sixties, but the decline at the national level, although modest in size, was more marked than in the west. For the female participation rates, the reverse occurred; not only did they rise substantially from their 1961 levels, but the increase in the regional rate was larger than that in the national one. Also, the regional female participation rate was consistently above its national counterpart with the exception of one year, 1961.

Economic Indicators

Investment in western Canada more than doubled between 1961 and 1971, rising continuously from \$3,715.7 million to \$8,425.8 million. Relative to Canada as a whole, the west's investment share remained roughly constant at about one-third of the national total. On a per capita basis, western Canada's investment record was consistently well above average; the regional figures ranged from 120.6 to 131.3 per cent of their all-Canada equivalents. This was largely due to the capital-intensive nature of the main western industrial sectors: mining, forestry, oil and gas, and agriculture, where each additional dollar of investment generates relatively little employment. Indeed, in agriculture additional capital investments and improved technology contribute to a decline in employment.

In sectoral terms, investment expenditures in western Canada were concentrated in three industry groupings: housing, institutional services and government departments; primary industries and construction; and utilities. In each instance, the grouping accounted for at least 20 per cent of total investment outlays. Only in the case of primary industries and construction, however, was the regional experience out of line with the national one. As can be seen from Table 6, these groups were much more important in the west than Canada-wide from an investment point of view. Table 6 also points up the west's relative weakness in two other sectors--manufacturing, and trade, finance and commercial services. Particularly striking was the relative paucity of manufacturing investment, reflecting the lack of manufacturing and resource processing in the region.

TABLE 5

WESTERN CANADA'S LABOUR MARKET--SELECTED INDICATORS, 1961-72

<u>Year</u>	<u>Labour Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>		<u>Labour Force Participation Rates</u>					
				<u>West</u>	<u>Canada</u>	<u>Total</u>		<u>Male</u>		<u>Female</u>	
	-- Thousands --			-- % --				-- % --			
1961	1729	1627	103 ^a	6.0	7.1	54.3	54.1	79.1	79.8	28.6	28.7
1962	1765	680	85	4.8	5.9	54.5	53.9	78.5	79.1	29.8	29.0
1963	1791	1709	83	4.6	5.5	54.2	53.8	77.9	78.5	30.1	29.6
1964	1838	1767	71	3.9	4.7	54.5	54.1	77.8	78.1	30.9	30.5
1965	1894	1835	59	3.1	3.9	54.9	54.4	77.8	77.9	31.9	31.3
1966	1958	1900	58	3.0	3.6	55.4	55.1	77.7	77.8	32.9	32.8
1967	2030	1961	68	3.4	4.1	55.8	55.5	77.4	77.5	34.0	33.8
1968	2115	2030	86	4.1	4.8	56.5	55.5	77.5	77.0	35.4	34.4
1969	2187	2107	81	3.7	4.7	56.8	55.8	77.5	76.6	36.2	35.2
1970	2258	2130	128	5.7	5.9	57.2	55.8	77.3	76.4	36.9	35.5
1971	2312	2185	128	5.5	6.4	57.1	56.1	77.2	76.1	36.8	36.5
1972	2386	2251	136	5.7	6.3	57.6	56.5	77.3	76.2	37.8	37.1

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

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

TABLE 6

INVESTMENT IN WESTERN CANADA--SELECTED INDICATORS, 1961-71

Year	Total Investment ^a		Total Investment Per Capita as a % of Canada	Total ^b %	PERCENTAGE DISTRIBUTION OF TOTAL INVESTMENT BY SECTOR									
	\$M	% of Canada			Primary Industries & Construction		Housing Institutional Services & Gov't Depts.		Utilities		Trade, Finance & Commercial Services		Manufacturing	
					West	Canada	West	Canada	West	Can.	West	Can.	West	Can.
1961	3715.7	33.2	125.2	100.0	24.6	15.4	37.1	38.2	23.0	21.6	7.2	9.0	8.6	15.8
1962	3803.7	32.0	120.6	100.0	24.4	15.5	38.6	39.2	20.3	19.7	7.2	8.6	9.5	17.0
1963	4175.2	32.7	123.4	100.0	26.6	16.2	37.6	38.3	20.9	20.0	7.8	8.6	9.5	16.9
1964	4722.5	32.4	122.1	100.0	28.3	16.6	33.5	36.5	20.4	19.8	7.0	8.5	10.8	18.7
1965	5551.1	33.1	124.8	100.0	29.3	16.3	31.8	35.5	20.1	19.6	7.1	8.9	11.7	19.7
1966	6509.4	33.5	126.4	100.0	28.3	16.5	31.1	33.9	21.9	19.9	6.8	9.1	11.9	20.6
1967	6958.4	34.8	131.3	100.0	27.6	16.7	31.4	35.0	23.6	20.8	7.2	9.0	10.2	18.4
1968	6997.8	34.2	128.8	100.0	27.4	16.3	32.5	37.3	23.6	21.0	7.3	8.7	9.3	16.8
1969	7517.5	33.9	127.3	100.0	27.0	15.8	34.1	37.1	20.8	19.9	7.9	8.3	10.2	17.6
1970	7591.6	32.4	121.0	100.0	26.5	15.6	32.1	35.1	22.2	20.7	7.5	8.8	11.8	19.8
1971 ^c	8425.8	32.9	122.7	100.0	27.3	16.5	34.1	37.8	21.3	20.4	6.7	8.2	10.6	17.1

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

^bBecause of rounding, sums may differ from totals given.

^cPreliminary actual data.

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

Personal income per capita when averaged over the 1961-71 decade was about the same in the west and Canada, i.e. there was no significant per capita income gap. This situation came about as a result of per capita income shortfalls in Manitoba and Saskatchewan being completely offset by above-average per capita incomes in British Columbia; Alberta was at about the national average. It would appear from Table 7 that the west's best years in per capita income were 1962-66 inclusive. Subsequent to 1966, a very slight but persistent income gap between the western provinces and the nation appeared. Saskatchewan's irregular performance was a major factor in the annual fluctuations and in the slight regional gap (Table 1).

While direct farm income comprised a relatively modest portion of personal income, Table 7 indicates that it was more than twice as important in the west than in Canada generally. In Saskatchewan, the most agricultural of the western provinces, the relative importance of farm income was more than six times the national average. Of course, agriculture with its linkages with other economic activities is a bell-wether sector throughout the prairies; but this is so especially in Saskatchewan.

Earned income per capita was only slightly less in the west than Canada, on average, between 1961 and 1971. Taken year by year, the west's relative position was below-average seven times and above-average four times (all between 1962 and 1966). Contrary to this situation, government transfer payments per capita were consistently above-average in western Canada over the sixties, ranging from 114.6 per cent of the national figure down to 100.8 per cent, although Saskatchewan was substantially below the national average on this indicator as well. The trend was towards a reduction in the regional/national income disparity between 1968 and 1971. The regional figure moved within a very small range and averaged only 101.3 per cent of the national one. Again, Saskatchewan's performance distorts and complicates a regional/national comparison.

Table 8 indicates structural changes in the economy of western Canada between 1961 and 1970, the latest year for which official data are available. It can be seen that goods-producing industries generally declined during the sixties in relative size, the exceptions being mining and construction. While manufacturing remained the dominant goods-producing industry during the decade, the gap between it and mining, the second largest goods producer in 1970, narrowed significantly from 16.5 to 9.1 percentage points. Relatively unimportant in value-added terms both in 1961 and 1970 were primary forestry, fishing, trapping and electric power. Regrettably, because of a lack of comparable

TABLE 7

PERSONAL INCOME IN WESTERN CANADA
SELECTED INDICATORS, 1961-71

<u>Year</u>	<u>Personal Income</u> \$M	<u>Farm Income as a % of Personal Income</u>		<u>Personal Income Per Capita</u>		<u>Earned Income Per Capita</u> West as a % of Canada	<u>Government Transfer Payments Per Capita</u> West as a % of Canada
		<u>West</u>	<u>Canada</u>	<u>West</u>	<u>Canada</u>		
1961	7,810	4.3	2.7	1,624	98.4	97.6	110.7
1962	8,830	9.7	4.2	1,804	102.3	101.5	114.6
1963	9,377	10.4	4.1	1,881	102.2	101.9	110.2
1964	9,788	7.7	3.2	1,928	99.7	98.9	110.3
1965	10,893	8.7	3.5	2,110	100.9	100.6	108.6
1966	12,277	9.2	3.9	2,336	101.4	100.9	111.2
1967	13,225	6.1	2.6	2,470	99.5	98.9	104.4
1968	14,658	6.8	2.8	2,686	99.9	99.7	100.8
1969	16,225	5.0	2.3	2,920	99.2	98.6	102.0
1970	17,134	3.3	1.7	3,034	97.1	96.2	101.5
1971	19,406	5.0	2.0	3,385	99.4	99.3	100.8

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

TABLE 8

NET VALUE OF PRODUCTION
WESTERN CANADA AND CANADA, 1961-70

<u>Sector^a</u>	Net Value of Production					
	<u>Western Canada</u>			<u>Canada</u>		
	<u>1961</u>	<u>1970</u>	<u>Change in Relative Weight of Industry 1961-70</u>	<u>1961</u>	<u>1970</u>	<u>Change in Relative Weight of Industry 1961-70</u>
--	%	--	--	%	--	
Manufacturing	33.1	31.4	-1.7	56.9	56.5	-0.4
Construction	20.4	21.4	1.0	15.2	17.3	1.5
Agriculture	18.0	15.9	-2.1	9.7	8.0	-1.7
Mining ^b	16.6	22.3	5.7	7.4	10.9	1.5
Forestry	6.3	3.5	-2.8	3.6	1.9	-1.7
Electric Power	4.6	4.8	0.2	4.6	4.8	0.2
Fishing	0.8	0.7	-0.1	0.6	0.6	0.0
Trapping	0.2	0.0	-0.2	-	-	-
TOTAL GOODS- PRODUCING	100.0	100.0		100.0	100.0	

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

^b Derived from preliminary data.

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

data, it is not possible to delineate value-added trends in the component service industries.

A comparison of the economic structures of western Canada and Canada reveals both close similarities and major differences. Similar, for example, were the goods-producing industry/service industry ratios, the relative roles of the electric power, fishing and trapping industries, the dominant position of manufacturing within the goods-producing sector, and the relative decline in manufacturing's importance over the sixties. Dissimilar, however, was the structure of the goods-producing sector. Manufacturing was much more significant in Canada than in western Canada during the 1961-70 period. Conversely, two primary industries--agriculture and mining--were much more important in the west than Canada.

Another indication of the different levels of economic prosperity among the provinces is provided by a review of the revenue capacity and tax effort of the individual provinces. Table 9 compares the fiscal capacity of the provinces for fiscal years 1963-64 and 1971-72. Recent provincial tax changes may have altered the figures somewhat but the relative positions of the provinces remained the same.

The per capita revenue capacity of Canada's ten provinces increased from \$173 in 1963-64 to \$454 in 1971-72. Despite this substantial per capita increase, the relative positions of the provinces generally did not change, except for Saskatchewan.

In 1963, Manitoba's per capita revenue capacity was \$153 and in 1971 it stood at \$404. As an index, these figures were equal to 88 and 89 per cent respectively, taking the all-provinces average as 100. In order to maintain its relative position in per capita revenue, the province increased its tax effort from 84 to 98 per cent.

Saskatchewan's per capita revenue capacity increased from \$184 in 1963-64 to \$396 in 1971-72. As an index, these figures were equal to 106 per cent and 87 per cent respectively, again taking the all-provinces average as 100. Not only did this province's relative per capita revenue capacity decline, over the period, but so did its tax effort. Tax effort declined from an above-average effort of 114 in 1963-64 to a below-average effort of 97 in 1971-72.

In general, Alberta's per capita revenue capacity was above the all-provinces average. In 1963-64 it was \$275, or 59 per cent above the all-provinces average of 100; in 1971-72 it was \$625, or 38 per cent above the all-provinces average. In both these years Alberta made a below-average tax effort

TABLE 9

COMPARISON OF REVENUE CAPACITY AND TAX EFFORT
FOR SELECTED YEARS 1963-71
(Tax Indicator Approach)

	<u>1963-64</u>			<u>1971-72</u>		
	Per Capita Revenue Capacity \$	<u>INDEXES</u>		Per Capita Revenue Capacity \$	<u>INDEXES</u>	
		Per Capita Rev.-Cap. %	Tax Effort %		Per Capita Rev.-Cap. %	Tax Effort %
Manitoba	152.76	88.3	84.4	404.07	88.9	98.4
Saskatchewan	184.03	106.4	114.0	396.14	87.0	97.0
Alberta	275.13	159.0	79.6	624.60	137.5	79.2
British Columbia	216.59	125.2	107.9	547.03	120.0	93.2
<u>ALL PROVINCES (10 Provinces)</u>	173.00	100.0	100.0	453.92	100.0	100.0

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

(79 per cent) while at the same time maintaining a leading position in per capita revenue capacity.

British Columbia's per capita revenue capacity was above average generally; in 1963-64 it was \$217 and in 1971-72 it was \$547. In index form these figures represent 125 and 120, taking the all-provinces average as 100. In both these years British Columbia retained its second position in per capita revenue capacity while making relative tax efforts of 108 in 1963-64 and 93 in 1971-72.

It is apparent that Saskatchewan's fiscal position deteriorated, relative to both provincial and nation-wide levels, while Manitoba has sustained its relative position. Alberta and British Columbia both remained fiscally strong and no deterioration in this situation is foreseen.

The evaluation of the provincial economies during the sixties suggests that western Canada is an amalgam of two high-growth provinces, Alberta and British Columbia, and two slow-growth provinces, Manitoba and Saskatchewan. Aggregations for the region as a whole tend to blur the differences and distort the actual picture. For example, in terms of urbanization, there is a range: Saskatchewan is the least urbanized, followed by Manitoba, Alberta and then British Columbia, the latter being highly urbanized since at least 1921. On the other hand, the rural population is declining in all western provinces except British Columbia. The northern parts of Manitoba, and particularly Saskatchewan, may be characterized as disadvantaged on a variety of counts; this is less so for most of northern Alberta and British Columbia.

The degree of heterogeneity shows up in other ways. The west as a whole is the most culturally diverse part of Canada. Part of the influence of the culturally diverse mosaic is due to the relatively recent settlement of the western frontier of Canada. The spirit of frontier settlement still characterizes the west, particularly in Alberta and British Columbia. There is a high level of independence of spirit and a general tradition of equality. Throughout the west, the largest identifiable disadvantaged group comprises those of native ancestry. The native population (including Status Indians, Métis and non-Status Indians) constitutes about 5.5 per cent of the total population of the west.

The system of social services (health, welfare and education) in the west is generally good. There are some areas of weakness, mainly in the context of geographic isolation. The discrepancies are greatest in the northern portions of Manitoba and Saskatchewan. As a gross comparison across the country, the west as a whole is about on a par with Ontario, and above the comparable situation in Quebec and the Atlantic region.

In summary, the economy of western Canada has done well during the sixties. The region grew more rapidly than Canada in total and more so than the other regions except Ontario. This is reflected in such indicators as population, labour force, employment, resource production and personal income.

The economic structure of the west also changed more rapidly than that of the other regions. This extensive structural change was due to a variety of factors: through population movements from rural areas to urban centres, from Manitoba and Saskatchewan to Alberta and British Columbia, and from other countries to western Canada; through changing technology and production techniques in agriculture and resource processing; and through large-scale investments in new resources and new deposits.

Many of the same factors also brought about a basic change in employment patterns: from resource employment, especially in agriculture, to construction and service employment, especially in distribution, public administration, commercial and personal services. The manufacturing sector was the weak link in the economic process in the sixties. It remained relatively small and oriented towards local and regional markets. It lacked diversification and expanded less rapidly than manufacturing employment and shipments in the country as a whole.

Yet while the pace of growth and change has been extensive, the basic elements of the economy have remained the same. The west is still a region heavily dependent on resource development, on primary processing, on trade with other regions and other countries and on the importing of its basic items for industry and for people. It exports much of its grain, oil and gas, ore and wood and imports most of its machinery, clothes, appliances and transportation vehicles.

PROJECTIONS

The total economy of western Canada should continue to do well in the seventies and, unless trends and policies change, it will probably rely on the same stimulus--that of increased

resource production. There will likely be major investments in resource exploration and in the development, processing and transportation of these resources. These developments should provide the basis for large gains in population, employment and income, and for continued shifts from resource and rural employment to urban and service employment. However, the region will probably remain a major importer of industrial, commercial and consumer goods and services.

But (again) western Canada is a geo-political region consisting of two major areas: the provinces of British Columbia and Alberta and the provinces of Saskatchewan and Manitoba. While the western parts have done consistently better than the rest of Canada, the eastern half has performed well below that level of growth. Alberta and British Columbia have accommodated and generally adjusted to a rapid rate of growth; to large increases in their urban centres, labour force and resource development; and to substantial inflows of population. Both provinces are generating major new advances in resource development, investment, employment and urban growth.

Saskatchewan and Manitoba are moving as well, but downward--certainly relative not only to Alberta and British Columbia but to Canada in total. With a limited known resource base (except for primary agriculture) and with little growth in urban centres, economic activity will continue to be siphoned off to Alberta, British Columbia and Ontario. This may accelerate the drain of people from agriculture and rural areas, and even urban centres, to more gainful urban employment in other provinces. Manitoba and Saskatchewan may experience some absolute gains comparable with the small employment, investment and production advances registered during the sixties. If present trends continue, population will continue to level off in Manitoba and may further decline in Saskatchewan.

Table 10 summarizes some trend projections for the seventies in population and employment for the region, the prairies and British Columbia. The projections are the product of a number of assumptions and techniques. It is assumed that the basic economic forces will not change dramatically, except that declines in agricultural employment will taper off slowly, and that increases in service employment will not be as large as during the sixties. It is also assumed that the existing federal and provincial policy mix remains the same; that no new major unforeseen economic stimulants will appear (e.g. large new mineral discoveries, substantial technological changes, major trade shifts); and that the west will retain its relative position with respect to certain national economic indicators (i.e. the same relative unemployment and labour

TABLE 10

POPULATION AND EMPLOYMENT PROJECTIONS, 1961-81

THE WEST, THE PRAIRIES AND BRITISH COLUMBIA ^a

('000 and Per Cent Change Per Annum)

	<u>Prairies</u> ^b		<u>British Columbia</u>		<u>The West</u>	
	#	%	#	%	#	%
<u>Population</u>						
1961	3,179	-	1,629	-	4,808	-
1971	3,545	1.2	2,188	3.0	5,733	1.8
1981	3,942	1.1	2,979	3.1	6,921	1.9
<u>Employment</u>						
Total						
1961	1,099	-	527	-	1,626	-
1971	1,339	2.2	847	4.9	2,186	3.0
1981	1,524	1.4	1,225	3.8	2,749	2.3
Goods Producing						
1961	494	-	193	-	687	-
1971	480	-0.3	279	3.8	759	1.0
1981	510	0.6	408	3.9	918	1.9
Service Producing						
1961	602	-	335	-	937	-
1971	856	4.2	569	5.4	1,425	4.3
1981	1,014	1.8	817	3.7	1,831	2.5

^aTotals may not add due to rounding and methodological reasons.

^bDue to confidentiality of provincial employment data, projections cannot be made for the individual prairie provinces.

Source: Special tabulation by the Department of Regional Economic Expansion, based on 1961-71 data obtained from various publications of Statistics Canada.

force participation rates). In essence, the projections reveal likely future trends if the status quo is not changed.

The projections are interesting but also disturbing. Population in the west will increase at about the same rate as in the sixties, but British Columbia, and probably Alberta, will continue to get the lion's share. Employment growth throughout the west will be somewhat less rapid than during the sixties but sufficient to accommodate the new labour force entrants. Unemployment should be at about the national average. Goods-producing employment will increase more rapidly in the seventies, largely because of an assumed tapering off in the decline in agricultural employment in Saskatchewan and Manitoba. But the increases in goods-producing employment will likely occur largely in Alberta and British Columbia.

Service employment will advance less rapidly in the seventies, again largely because of a built-in assumption that the increases in employment in trade, consumer and commercial services and public administration will probably not be as large as in the sixties. British Columbia's growth in service employment will likely be significantly larger than for the prairie provinces. Still, based on the maintenance of the status quo, the following few paragraphs elaborate somewhat on the trends for each of the major industrial sectors in the west.

Agriculture can be expected to continue as a strong segment of western Canada's economy during the seventies. British Columbia has a diversified, but essentially local market-oriented industry with market gardening and dairying in the Fraser Valley, fruit farming in the Okanagan, beef production in the southern and central interior, and grain farming in the Peace River area. Alberta and Manitoba have a greater concentration in livestock than other western provinces. Higher meat prices bode well for their future. Saskatchewan is primarily a grain-producing province. While grain markets are currently buoyant, efforts to develop or expand alternative sources of farm income such as rapeseed, cattle and hogs will continue in order to reduce the serious instability endemic to wheat farming. Overall, farming will almost certainly become more capital-intensive during the next decade resulting in continuing pressures to consolidate holdings and reduce the farm labour force.

Only in British Columbia is fishing an important constituent of the provincial economy. In the rest of western Canada, freshwater fisheries exist but are significant mainly to small groups of Indians and Métis and appear to have limited development potential. British Columbia accounts for 20 per cent of fisheries employment in Canada and 25-33 per cent of value added by fish processing. Salmon is the main species;

export markets are paramount and British Columbia can reasonably expect to retain its present market share.

Primary forestry operations in western Canada are a major employment generator only in British Columbia. Employment in this sector will likely remain fairly stable because effects on employment through increased production will offset increased mechanization and productivity. In the rest of the west, there are possibilities of small employment gains in logging operations if development opportunities for wood-using industries materialize.

Mining is of major significance throughout western Canada. The oil and gas industry, of course, has been the main source of economic growth in Alberta since the late forties. No change is expected, given the existing energy situation in North America, the highly favourable outlook for oil and gas prices, and the virtually untapped Athabasca oil sands resource.

In Saskatchewan, known oil reserves are declining but the potash industry will almost certainly assume increased importance over the seventies, thereby helping to maintain mining in its current position as a prime source of value added in the province. Nickel and copper are the main minerals mined in Manitoba. There appears to be little danger of reserves becoming exhausted in the foreseeable future.

In the past, lead and zinc mining constituted a stable base for British Columbia's mining industry which has now been strengthened and diversified by the important additions of copper, molybdenum, oil and coal. Japan has become a major market for British Columbia's output. Raw material exports should continue to expand over the seventies unless a change in government policy leads to much more processing being done in Canada.

Every western province hopes to expand and diversify its manufacturing sector and the seventies should see some progress in this regard, particularly in Alberta and British Columbia, the two largest sub-markets in western Canada. Most manufacturing activities at the moment are resource oriented. By and large, these enterprises should continue to thrive. It is in the area of secondary manufacturing that the west is weakest and where the outlook is least certain. However, a nucleus of secondary operations has already been established and some expansion is virtually assured.

Construction and service employment (transportation, communications, utilities, trade, finance, insurance, real estate, community, business and personal services and public administration) depend largely on stimulation from other parts of the economy. They will do well in British Columbia and

Alberta; not nearly as well in Saskatchewan and Manitoba. There are, however, a few likely developments worth highlighting. The construction industry will generally mirror changes in the basic economic trends in each of the provincial economies; it should do especially well in British Columbia and Alberta, in construction related to resource development and in large urban centres. Non-hydro power generation should grow in importance as a consequence of increased urbanization, larger populations, and an absence of major new sources of readily-accessible hydro power. Finally, in the wholesale and retail sector, larger trade centres should continue to draw patronage away from smaller ones.

Generally, service employment will increase in relative importance as sources of employment over the seventies, although the absolute gains will probably not be as large as during the sixties. This is based on two assumptions: the urbanization process will continue, and increased demand for services is a secular phenomenon. Most of the employment gains will likely be in urban centres, often at the expense of rural areas and smaller communities.

The projections forecast the continuation of two major socio-economic trends, if the status quo remains: the gradual shift of activity towards the west, and from rural areas to large urban centres. Both have major implications for the economic, social and political fabric of the western provinces and Canada. For example, Winnipeg's historic role as the gateway to the west could slowly disappear as goods flow north/south through Alberta and east/west through British Columbia to the world; as regional manufacturing and service activities shift with the population and resource production to Alberta and British Columbia; and as Manitoba and Saskatchewan obtain services more cheaply and adequately from Toronto, Vancouver, Calgary or Edmonton. Similarly, Regina and Saskatoon could lose a large share of the regional economic activity there is now. And given the relative decline of Winnipeg, Regina and Saskatoon and a continuous outflow of rural residents, such secondary centres as Brandon, Portage la Prairie, Moose Jaw, Weyburn and North Battleford could decline as well. Indeed, Moose Jaw and Weyburn are doing so already.

On the basis of existing trends, future economic development could be limited between the Lakehead and Calgary resulting in a few medium-sized centres, a relatively limited number of large, capital-intensive farms, a relatively aged

and conservative population as compared to other provinces, a scattering of small local plants, an extensive and rationalized transportation network functioning primarily as a throughway, and a large, efficient and highly productive resource sector offering little employment. In essence, Manitoba and Saskatchewan are, if present trends continue, in danger of becoming a vast but sparsely populated hinterland between a booming Ontario, Alberta and British Columbia.

The realization of such a scenario could have a number of adverse consequences on the economic and political ties which hold Canada together. In economic terms alone, these trends could increase the polarization of the country; create two sub-national economies (the centre and the far west); and increase the difficulties of managing the economy through broad national fiscal and monetary policies. Growth, inflation and unemployment could develop and occur even more independently in each region than they do now. Inter-regional economic linkages could become even weaker.

SOCIAL SETTING

Economic and social forces interact and interrelate; no longer is the distinction between economic activity and social activity clear cut. The social aspects of economic policy and the economic aspects of social policy are different sides of the coin of human development. Collectively, the economic and social factors operate within a broader framework or setting of values, goals, roles and institutions.

Any development approach must take into account the broad setting within which the decisions of the private and public sector are made: the social values, characteristics, concerns and objectives of the people; the economic assumptions, values and processes; the role and policy thrusts of governments at all levels; and the interests, structures and interrelationships of institutions. The decisions and actions of governments must take account of and operate largely within that framework to ensure that governments are of, by and for the people. This section describes that setting for the west.

Canada may be regarded as having five regions which are geo-politically defined. One of these regions consists of the four western provinces. The west is a region almost more because it is different from other regions than because it has considerable homogeneity within itself; almost more because of the similarity of views on other regions than the similarity of views about its region. From a western point of view, all other Canadians, except Maritimers, are either easterners or

northerners. The western view holds that the east is that part of Canada which draws profit and other exploitative benefits from the west. A less commonly held view, but one which nonetheless represents economic fact, is that the west draws similar profit and benefit from the north.

While the west has its own identity as a region, it is, of course, in no sense homogeneous. Each of the four western provinces has its own history, its own developmental policy, its own particular physical, social and institutional characteristics. This paper and its suggestions on a development approach respect this fact and indeed build on it. Yet, although each of the western provinces is significantly different from the others, they have certain regional traits in common.

First, the west is an open society. People are judged for what they are, not so much for where they come from. Individuality is characteristic; a feeling that each of them can make his own way and lead his own life. Westerners encourage an upward mobility that is shown in the importance attached to education, in the geographic mobility and adaptability of its people and in the distrust and dislike of authoritarian forms of organization. The openness of western society is also the basis for acceptance and encouragement of various forms of economic organization--co-operatives, private enterprise, credit unions, crown corporations and joint ventures. There is no overriding concern about accomplishing things in only a certain way.

Second, in no other part of Canada is the prospect of a unified society based upon diversity of ethnic origin as likely as in the west. As the following table (Table 11) illustrates, there is a high degree of heterogeneity (as measured by population distribution by mother tongue) throughout the west. The country and the region will benefit if the cultural richness inherent in this diversity continues to be recognized and encouraged as a matter of social policy.

Third, in the west there is a belief in the need for and desirability of widespread participation in social, economic and political processes. Co-operatives and credit unions, relatively participatory political parties and governments, and a desire for jobs and occupations with freedom and responsibility, are some of the manifestations of that belief.

The same desires for participation and for sharing in the benefits of economic growth are increasingly being expressed by developing native organizations and supported by society in general. Until recently, the problems of all natives were

TABLE 11

PERCENTAGE DISTRIBUTION OF POPULATION BY MOTHER

TONGUE FOR CANADA AND PROVINCES, 1961-71

	<u>1 9 6 1</u>			<u>1 9 7 1</u>		
	<u>English</u>	<u>French</u>	<u>Other</u>	<u>English</u>	<u>French</u>	<u>Other</u>
CANADA	58.5	28.1	13.5	60.2	26.9	13.0
Nfld.	98.6	0.7	0.7	98.5	0.7	0.8
P.E.I.	91.3	7.6	1.1	92.4	6.6	1.1
N.S.	92.3	5.4	2.3	93.0	5.0	2.0
N.B.	63.3	35.2	1.5	64.7	34.0	1.3
Qué.	13.3	81.2	5.6	13.1	80.7	6.2
Ont.	77.5	6.8	15.7	77.5	6.3	16.2
Man.	63.4	6.6	30.0	67.1	6.1	26.8
Sask.	69.0	3.9	27.1	74.1	3.4	22.5
Alta.	72.2	3.2	24.6	77.6	2.9	19.5
B.C.	80.9	1.6	17.5	82.7	1.7	15.5

Source: Statistics Canada, Special Bulletin, 1971 Census, Cat. #92-773 (SP-3)
December 1972.

ignored except for welfare and subsistence programs by governments. The basic concerns about health, education, income, employment and cultural heritage were generally secondary to the debate on jurisdiction and treaty rights. In recent years these social and economic problems have become more acute as natives drifted from the reserves and the north to urban centres. Governments, both federal and provincial, are responding to these problems through measures aimed at increasing the benefits of economic growth to the natives in the north and at facilitating the adjustment process in the southern parts of the provinces.

Fourth, throughout the west, but perhaps not so much in Manitoba and Saskatchewan, there is a feeling of potential: that the west is rich in its resources and in its people, that the economic future is bright and that the good life will get better. Memories of the Depression are fading rapidly. There are internal dynamics in the economic and social systems and in the individuals. The corollary to this is that decisions or organizations which appear to limit this potential are highly suspect and criticized. Hence, for example, the mistrust among western Canadians of financial institutions; the feeling of alienation from important centres of economic and political decision-making; the get-tough attitude towards the federal government; and the widely shared feeling that if decisions are not made by westerners in the west, then they are apt to be wrong or at least inadequate. Where there are opportunities, the internal dynamics of the west will realize them. But where the opportunities are limited, a process of rapid mobility is set in motion (e.g. during the Depression and the sixties in Saskatchewan).

Fifth, a major policy objective of western provincial governments, especially Saskatchewan and Manitoba, is one of equity, both spatial and social. There is a concern about the depopulation of rural areas and communities, the shift from rural to urban life-styles and the problems of social stress arising from an over-concentration of population in urban areas. Provincial and local governments are, therefore, increasingly active in formulating and implementing policies and programs for providing an equal opportunity for rural centres and rural people to live, to obtain gainful employment and to share in the benefits of economic growth in the rural areas. Similarly, there is a concern about the disadvantaged: the poor, the unemployed, the handicapped and especially the natives.

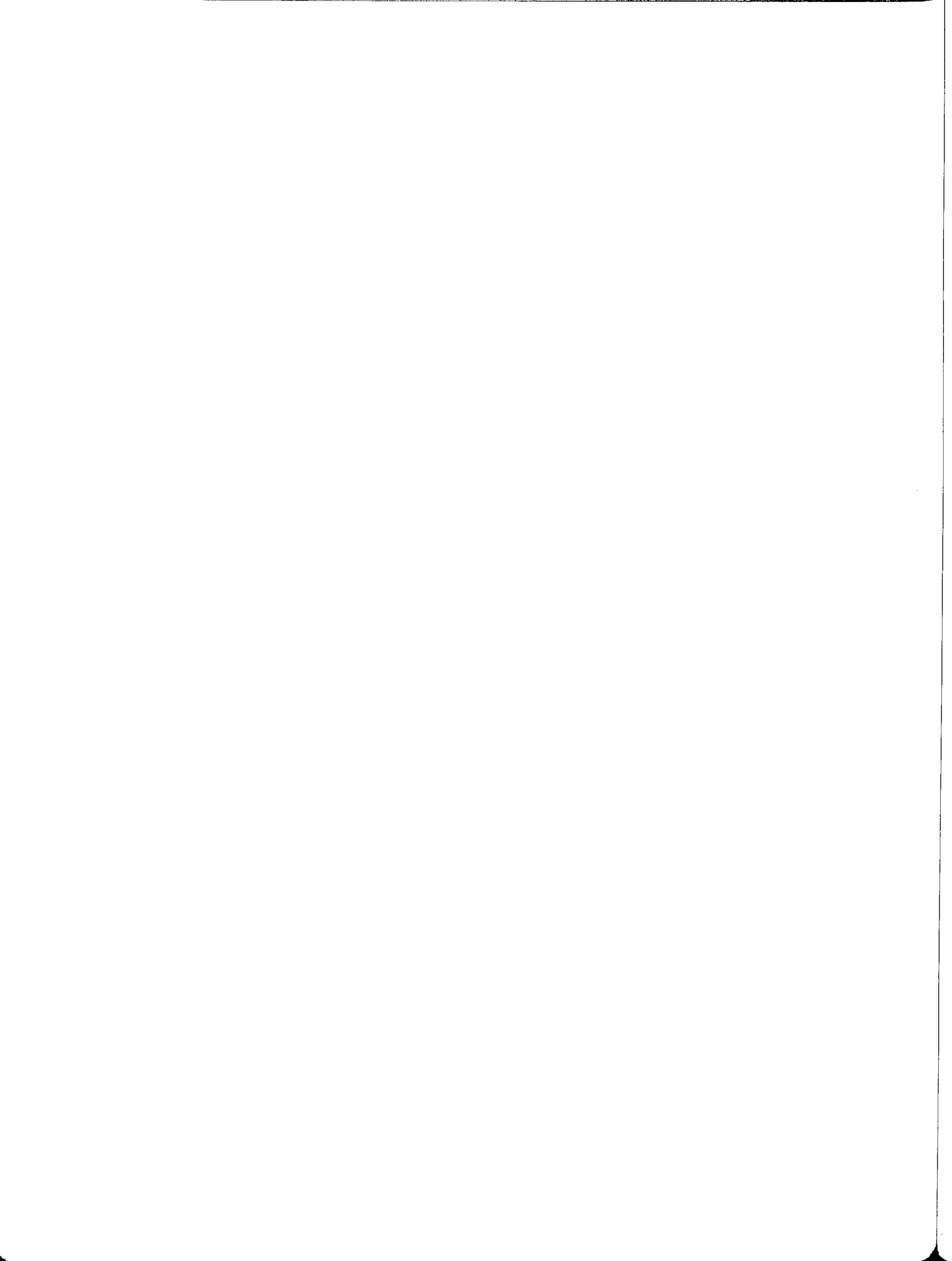
Other factors are common to and tend to unify the west, many of them relating to federal roles and policies. One factor is the perceived inadequacy of national transportation systems

to meet the demands of the region for a more socially conscious, regionally aware, innovative and lower cost transportation industry and rate structure, especially the railways. Complaints are common about Canada's taxation and commercial policies which, the west generally believes, on the one hand restrict and discourage the exporting of renewable and non-renewable resources in either raw or increasingly semi-processed forms, and on the other hand concentrate, through a tariff structure, secondary manufacturing in central Canada thereby forcing the west to rely only on resource production. There is a belief, at times unpopular but nevertheless basic and valid, that the federal government is important, and that it should exhibit leadership especially in establishing across the country basic social benefits and provide equal opportunity for all Canadians for gainful employment and social services. Finally, there is a feeling that the federal government reacts quickly only to the expressed concerns and complaints of other regions of Canada, not to those of the west.

As described above, the west has considerable strength and dynamics. However, it also has major problems and concerns. In summary, the following imbalances and weaknesses are apparent in the economy of western Canada:

- reliance on primary resource development resulting in very capital-intensive investments, increased dependence on world demand and prices for primary products, on foreign investments, on environmental factors and on climatic conditions, and relatively insignificant western Canadian employment and income content;
- limited manufacturing: of materials and products required for the general regional market and for the resource sectors, and of resource-based and other products for national and international markets;
- two distinct sub-regions--a booming Alberta and British Columbia and a stagnating Saskatchewan and Manitoba;
- a dual economy with declining rural areas and small centres in the prairies, and rapidly growing large urban centres (especially in Alberta and British Columbia) but few viable secondary centres;

- the northern regions of the provinces where resource development is and will likely continue to go on without taking account of the conditions and needs of the people native to that area, and without generating a feeling of permanency and community attachment in the resource centres.



OPPORTUNITIES

BACKGROUND

The socio-economic review of the west indicates that the economy of western Canada had a number of strengths and weaknesses as it entered the seventies. In the aggregate, it should do well over the next decade through increased resource development and processing and the stimulating effects on growth in population, income, investment, urbanization, trade and services. The trends currently in motion, however, will aggravate a number of serious weaknesses: capital-intensive production; limited resource and non-resource based manufacturing; shift of economic activities from Manitoba and Saskatchewan to Alberta and British Columbia and from rural areas and smaller towns and cities to large urban centres; and a range of socio-economic problems and disparities in the northern parts of the provinces.

Joint federal and provincial efforts could be aimed at opportunities which, if realized, would generate balanced growth throughout the west and reduce or eliminate the imbalances and structural weaknesses. There are opportunities which can change the development pattern of the west and there are means available to realize them. These opportunities, which are elaborated later and in the provincial papers, could contribute to a series of interrelated general goals. First, they could generate employment and income throughout the region and increase and reinforce the economic linkages between the west and the rest of Canada. Current trends will bring about increased growth, employment and income largely in British Columbia and Alberta. Even in those provinces growth will be concentrated largely in the major urban areas and not as much in rural areas and communities or in the northern parts of these provinces. This trend could lead to a reduction in self-supporting and reinforcing economic activities in most of the west and to a diminution of economic linkages between the west and central Canada.

The initiation of a process to encourage more balanced growth throughout the region could improve mutual support among economic activities, so that, for example, economic activities in British Columbia would have a positive impact on

other related economic activities in Alberta, Saskatchewan and Manitoba, and vice versa. Resource exploration and development in British Columbia and Alberta could be an economic stimulus to manufacturing industries and entrepôt functions in Saskatchewan and Manitoba. Agriculture-oriented activities in Saskatchewan could be a stimulus to export services and transportation in British Columbia.

Such a process could also strengthen the economic linkages between the west and the rest of Canada. Instead of the creation of two more or less independent economies and a reinforcement of north/south trading links, it could contribute to increased trade in goods and services among Canada's regions and increased trade with other countries besides the United States. For example, products from Ontario could find an increased market in the west and through the west to other Pacific Rim countries. Products from the west could find improved markets in Ontario. National service functions performed in Vancouver and Winnipeg would open up other national service functions in Toronto and Montreal. Economic change in one region would reinforce economic change in the other.

The realization of this objective would help overcome some of the weaknesses recently commented on in an OECD report on Canada:

"The persistence of wide regional differences in economic structure, employment and incomes remain an important obstacle to achievement of lower unemployment... In addition, such regional differentials are widely regarded as a source of inflation, since labour market pressures tend to be excessive in some areas of the country well before acceptable conditions are achieved in the lagging regions."

Within an approach which sought to encourage expanded and balanced economic growth in the west, Saskatchewan and Manitoba could become a more dynamic part of the western region and more closely integrated with the east through complementary action to expand northern Ontario. This could help stem the flow of immigrants from these two prairie provinces and reduce many of the adverse long-term effects of such an immigration pattern. It could generate employment and income in Saskatchewan and Manitoba as indicated above, and could support and encourage closer economic integration and mutually reinforcing economic activities with Alberta, British Columbia and Ontario.

Given this broad approach, a number of possibilities could have a realistic chance of success. There could be an increase in the size of secondary centres throughout the west but especially in the prairies which in turn would facilitate a more viable set of social and economic linkages between the small rural towns and large urban centres. Cities such as Brandon, Moose Jaw, Prince Albert, Lethbridge and Prince George could take advantage of new or additional development opportunities. The opportunities for rural people and rural communities could be increased as well through the encouragement of agricultural intensification and diversification, rural services, small-scale manufacturing and local amenities.

Within this context, joint efforts are required to increase the opportunities for people located in the western northlands to benefit from current and future economic development. As described elsewhere in the companion paper on the Western Northlands, there is a need to mount more effective social development and social adjustment programs, to generate local services and local economic activities, to encourage community stabilization and provide facilities, and to generate resource development consistent with the social and physical environment.

The opportunities appear to be there in the seventies and eighties to make this approach possible and to bring the entire west, including Saskatchewan and Manitoba, more into the mainstream of economic and demographic growth in Canada and North America.

As the section in this paper on projections indicates, British Columbia and Alberta will likely do well in the seventies. Their aggregate economy will probably produce sufficient employment and income to meet the general objectives and the expectations of its people and provincial governments. The economic performance will likely also be sufficient to enable the private sector, with some support from special provincial policies, to generate adequate growth in most of the broad regions and large secondary centres of those two provinces. Joint federal-provincial development efforts are required, however, to realize the economic opportunities in the rural areas and smaller centres in the southern parts of the provinces, and especially to realize a more complex set of socio-economic goals and opportunities in the northern parts of Alberta and British Columbia.

For Saskatchewan and Manitoba the current economic development process is projected to be inadequate to meet even the least challenging objectives. However, concerted efforts to

establish a continuous process of balanced growth in the west can open a range of opportunities that could change the development scenario dramatically for those two provinces.

In the separate papers on Manitoba, Saskatchewan, Alberta and British Columbia and in the paper on the Western Northlands, possible opportunities are discussed in some detail. The emphasis is on a process of identifying and pursuing through federal and provincial co-ordinated action, development opportunities as they arise. Some examples of such opportunities which now exist include:

- increased processing of a variety of agricultural products such as beef, pork, rapeseed, sunflower seed, vegetables and fruits to make meat products, leather goods, canned and frozen foods, vegetable oil and meal and other protein-rich products; of minerals, oil and gas leading to smelters, refineries, petro-chemical industries and steel plants; and of wood for such products as sawn-lumber, furniture components, furniture, flakeboard and plywood;
- production of materials and equipment for the resource industries, such as farm machinery and implements, pipes, off-road transportation vehicles, logging equipment and machinery for the wood-using and mineral extraction industries;
- manufacturing of more sophisticated products for regional, national and international markets such as electrical products, garments, electronic equipment, transportation vehicles, aerospace products and chemicals;
- provision of transportation, distribution and service functions through special efforts to transport, transship and distribute the products within the region and especially out of it; to provide financial, commercial and personal services to a rapidly increasing economy and population; and to service increased inter-regional and international trade and commerce;
- development of tourism and recreation for a more leisure-oriented regional population but especially for a recreation-hungry population in the United States, central Canada and Pacific Rim countries; and

- establishment or expansion of applied research and development for a range of opportunities in mineral development, oceanography, agriculture-linked industries, forestry, energy sources, the north and the environment.

If a joint development effort is made opportunities can be identified and realized. But the key to the realization of these opportunities is a basic agreement by the provincial and federal governments to undertake joint development efforts.

If there is to be a balanced and dynamic west, a joint effort appears to be required to bring it about. There should also be a willingness to adjust, where necessary, provincial and national policies that are of particular importance to the development initiatives and opportunities for the west and especially for Manitoba and Saskatchewan.

Given such efforts to create a dynamic west, the range of economic opportunities available to the west and especially to Saskatchewan and Manitoba could be substantial. There could be increased demands for many products and services: supplies and material for resource development; machinery and equipment for processing and manufacturing; consumer durables and non-durables for a rapidly growing population; transportation, warehousing and distribution services for manufacturing and resource industries; and commercial, financial and personal services for a more prosperous and dynamic population.

In Saskatchewan the development process could concentrate on some possible major opportunities as: steel and related metal-working plants to produce such products as pipes, farm machinery and off-road equipment for construction and resource development; wood-using industries to produce building materials, furniture, boxes and modular housing; and expanded agricultural production, including concerted efforts to gain additional value added from processing vegetable oils and meats and from the production of convenience foods.

The development process in Manitoba could be aimed at realizing, for example, such possible development opportunities as: an increased transportation, distribution and service role for the area stretching from Brandon to Winnipeg to serve a rapidly growing economic hinterland in the west, northern Ontario and the U.S. mid-west; like Saskatchewan, expanded agricultural production, including concerted efforts to gain additional value from the production of meat products, processed foods and other protein-rich products; and manufacturing opportunities for regional, national and world markets in such products as electrical and electronic products, garments and aerospace equipment.

These or other major opportunities can often be realized only through a flexible, action-oriented approach, which should relate to the total development system. For example, in agriculture-oriented industries, it may not be sufficient to deal just with the production of rapeseed through research, land-use improvements and changing production methods. It may also be necessary to deal just as actively with the other parts of the system before the final product gets to market: seed processing and its research and production components; oil storage and handling facilities; meal conversion; transportation facilities, services and costs; distribution centres and marketing services; and the active search for new markets. So the requirement is not a set of narrow programs aimed at problems but a flexible development system and approaches aimed at identifying opportunities and concerted co-ordinated action to encourage their development.

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

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

It is only natural that many of the increased development opportunities will relate to the major urban areas and some of the secondary centres in the west. There are, however, a range of employment opportunities available to other secondary centres and to the rural areas and centres of each of the four western provinces.

If these opportunities are to be realized it may in many cases require joint efforts by the federal and provincial governments to increase the viability of the less-urbanized areas in all four western provinces, especially in Saskatchewan. The range of opportunities vary depending on the local resources and the province. They include, however, agricultural processing, small resource-based manufacturing plants, local services,

tourism and even some plants producing non-resource based products for a regional or national market. A development effort for the more rural areas should focus not so much on the specific opportunities, since they vary with time and place, but on a flexible range of tools to bring them about (e.g. incentives, industrial research and intelligence, industrial infrastructure and community facilities). Alberta and British Columbia have a wider range of opportunities available and a greater capacity to realize them through their own efforts, along with the private sector, than Manitoba and Saskatchewan.

An important aspect of a federal and provincial development effort should relate to the western northlands, the northern parts of the four provinces. There is a need to ensure that the people located in that region, especially Status and non-Status Indians and Métis, can share in economic growth. More details are given in the paper on the Western Northlands that the development process could concentrate, for example, on such opportunities to increase the provision of local goods and services by the population located in that region, to stabilize the resource communities and to improve their physical and social amenities, and to ensure that whatever resource development should take place is consistent with the human and physical environment of the region. The latter point is particularly relevant to such major developments as the Mackenzie Valley highway and pipeline, the Athabasca oil sands and the resource and transportation investments in northern British Columbia.

In summary, the development approach for Saskatchewan and Manitoba could be directed to effecting a substantial increase in the total development performance of the provincial economy, including establishment of a continuous process of identifying and realizing major development opportunities and to undertake a joint development effort for secondary centres, rural areas and the northern parts of the provinces.

For British Columbia and Alberta government involvement in the development approach need not be as extensive; the normal economic forces with continuous improvements in provincial and broader national development policies are projected to meet the general employment and income objectives. The major opportunities in these provinces will probably be generated through current investment and policy decisions in light of resource and market circumstances. Therefore, the joint development effort with those two provinces could concentrate on ensuring the identification and the realization of opportunities for the northern parts of the provinces and assist provincial efforts to encourage growth in smaller centres and rural areas.



EXCERPTS FROM MINISTERIAL STATEMENT¹

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The example may help to indicate why I am

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

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

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

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

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

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

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