

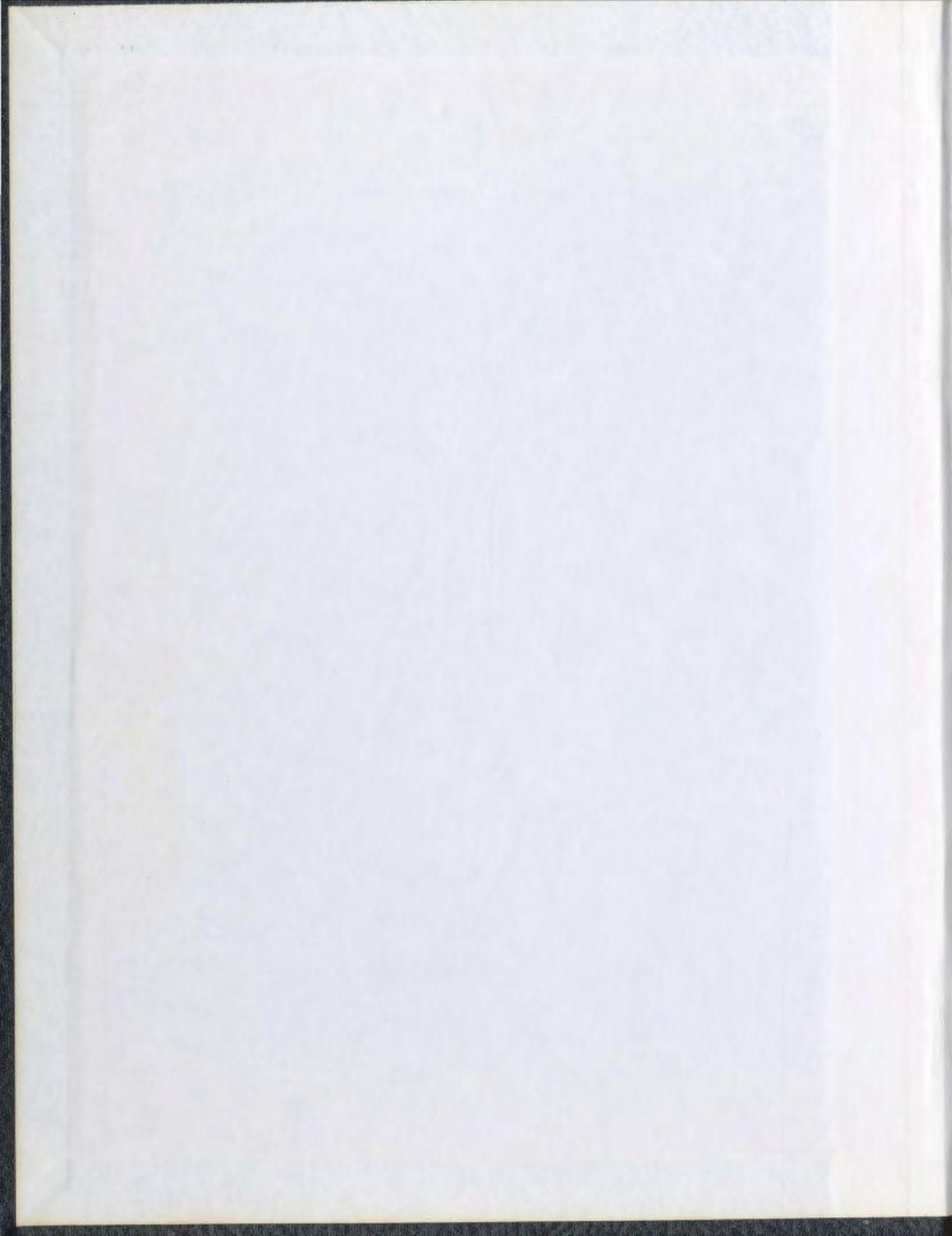
FEDERAL ATTEMPTS AT RELIEVING REGIONAL ECONOMIC DISPARITY  
NEWFOUNDLAND'S EXPERIENCE WITH D.R.E.E.

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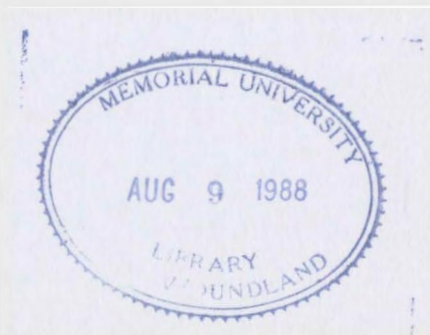
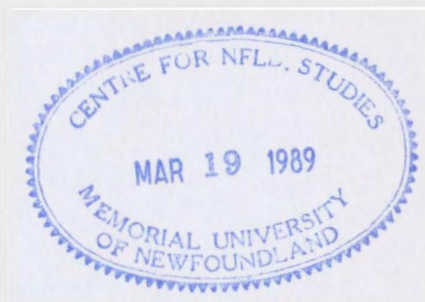
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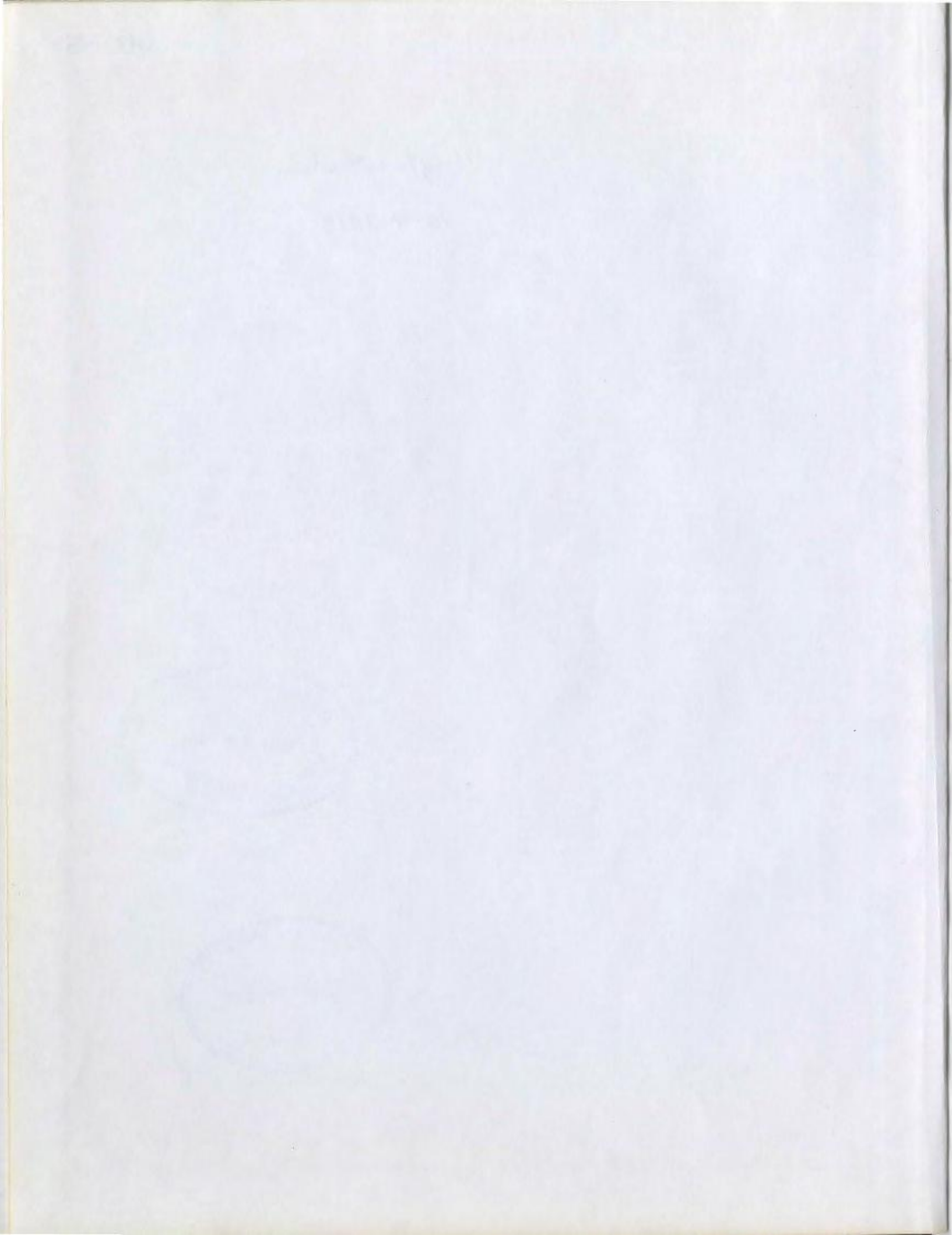
MARLENE BILOUS



Hugh Whalen

15.4.1973





FEDERAL ATTEMPTS AT RELIEVING REGIONAL ECONOMIC DISPARITY:

NEWFOUNDLAND'S EXPERIENCE WITH D.R.E.E.

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A Thesis

Presented to

the Department of Political Science

Memorial University of Newfoundland

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In Partial Fulfillment

of the Requirements for the Degree

Master of Arts

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by

© Marlene Bilous

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## ABSTRACT

Regional economic disparity refers to the average differences in the living standards experienced by people in the five regions which make up the Canadian federal state. The objective of this thesis is the assessment of the federal efforts at combating this disparity in Newfoundland, the province most afflicted with regional economic retardation. The thesis deals with the period from 1949 to January, 1973. It places particular emphasis on the activities of the federal Department of Regional Economic Expansion (DREE) which was established in 1969.

From 1949 to 1957, transfer payments and the Term 29 allotment constituted the total federal contributions to the Newfoundland treasury. The equalization payments and the Atlantic Adjustment Grants were further added during the 1957 to 1962 Diefenbaker period. The Pearson Era, 1963 to 1968, featured the first real attempt by the federal government to combat this problem through such programs as Area Development Agency (ADA), the Atlantic Development Board (ADB), and the Agricultural Rehabilitation and Development Act (ARDA). However, these federal programs were not very successful in alleviating Newfoundland's experience with regional economic disparity. Consequently, in 1969 the federal government under the leadership of Prime Minister Trudeau set up the Department of Regional Economic Expansion (DREE), with the expressed objective of reducing regional economic disparity through programs aimed at "economic expansion and social

adjustment" in the disadvantaged regions of Canada. Since its inception, DREE has committed a total of \$173,534,894 million and employed a strategy emphasizing urbanization, as opposed to rural development, in an attempt to combat this problem during the period from 1969 to January 1973. The DREE urbanization approach accounted for 91% of the total commitment, or over \$159 million, and was composed of two programs: industrial incentives and infrastructure assistance. The rural development portion of the program accounted for the remaining 9% of DREE funds, namely \$14.063 million.

This thesis concludes that these federal efforts have been ineffective in relation to DREE's essential goal. Newfoundland's economy is still in a critical state when compared with national economic standards. The Newfoundland per capita personal income, calculated as a percentage of the national average, has only risen 9% during the 1949 to 1971 period. Furthermore, in January 1973, Newfoundland experienced an unemployment rate of 18% which represented 234% of the national average rate of 7.7%. It is our claim that the federal government could have reduced regional economic disparity in Newfoundland more effectively through the exploitation of Newfoundland's unused and under-utilized human and natural resource potentials. DREE strategy should have shifted its emphasis from one based on urbanization to one based on rural development so that both approaches could have been utilized effectively. Its strategy should have interlocked more effectively with Newfoundland's small business character, attempted the development of an urban growth corridor pattern, and exploited Newfoundland's vast potential for rural development. Furthermore, the federal government should have co-ordinated the objec-

tives of its fiscal, monetary, transportation, manpower and external trade policies with those of DREE so that the root causes, rather than the symptoms of regional economic disparity, could have been more effectively dealt with.



## ACKNOWLEDGEMENTS

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## CHAPTER I

### INTRODUCTION

Substantial regional economic disparity exists within the Canadian federal state. In 1969 personal income per capita in the Atlantic provinces was only 69.8% of that in Canada; or in more commonly used terms, the income gap that year between the Atlantic region and Canada was 30.2%.<sup>1</sup> This represents only a 2.9% increase over the 1949 proportion of 33.1%.<sup>2</sup>

Any country can be expected to have varying levels of prosperity within its boundaries, as various areas are influenced by different economic forces. However, when a particular region persistently remains the least prosperous over a period of several years, or, as is the case of the Atlantic region, for generations, it becomes a problem warranting national concern.

The purpose of this thesis is the evaluation of the National or federal concern given to this problem.

Regional economic disparity refers to the differences in the overall economic activity within the five different regions of the Canadian federal state: viz. the Atlantic, Quebec, Ontario, Prairie and British Columbia regions. The discrepancy amongst these regions is significant as the 1969 regional average family income shows:

Atlantic	\$6789
Quebec	\$8654
Ontario	\$9889
Prairies	\$8122
B. C.	\$9220 <sup>3</sup>

Clearly, there is little doubt that in income terms, the Atlantic region is the most disadvantaged.

The Economic Council of Canada has attributed the income gap equally to two factors, lower productivity and a narrower employment base in the Atlantic region.<sup>4</sup> Lower productivity levels are brought about by the lower level of educational attainment and skill of the labour force; lower per capita inputs of capital stock and investment; greater proportion of low-income occupations; and wider geographic dispersion of industry. The narrower employment base can be attributed to the smaller ratio of working-age population, lower labour force participation rates; higher unemployment rates; and the greater influence of seasonal unemployment.<sup>5</sup>

Federalism, a system of government in which the central and regional governments are co-ordinate and independent, does not preclude action to minimize regional economic disparity. K. C. Wheare states:

This exercise in self-government is sufficiently valuable to be worth the cost it entails. If a region cannot support itself, then it is entitled to be guaranteed in a federal constitution access to sufficient resources under its own control to help it perform its functions.<sup>6</sup>

Certainly, the federal form of government organization encounters problems in adjusting for differences in the ability of

regional governments to provide a nationally acceptable level of services. But these difficulties are not insurmountable and there are numerous justifications for federal aid to regional governments.

All regional governments, for political or other reasons are increasingly required to provide more extensive services, and must rely substantially on revenues from taxes levied within their own borders. However, as the financial capacities of all regions are unequal, some regions will be able to enjoy a higher level of services given uniform levels of taxation. If these differences persist and become intolerable, the federation may dissolve.<sup>7</sup> Therefore, it is natural for the federal form of government to develop policies which seek to achieve at least minimum service levels across all regions, without requiring the low-income regions, to levy relatively high tax rates. Although many reasons have been advanced to justify such policies, the fundamental justification according to Lynn, is one of "national sentiment which opposes extreme variations in service levels within the nation and which endorses the sacrifice that may be necessary to raise service levels in low income areas. This sentiment inevitably arises and expresses itself through the national political process, and it overrides the conflicting sentiment which, at certain times, may arise and assert itself in some of the more fortunate regions."<sup>8</sup>

There is some rationale supporting this feeling. Spill-over effects between regions are one factor. These occur particularly in the consumption of public goods and services, notably in health and education. Out-migration of educated people from poorer regions to

richer ones is a common occurrence. For example, during the period from 1965 to 1970, an estimated total of 228,300 persons left the Atlantic region.<sup>9</sup>

National commercial, fiscal and monetary policies may have detrimental effects on certain regions, while benefiting others. Monetary policies influencing the National (aggregate) supply-demand indicators can retard regional economic development by restricting the supply of money. For example, during the 1956-57 tight money period, they contributed to an Atlantic regional unemployment rate of 6.0 - 8.3%, much higher than the national average.<sup>10</sup> The most recent anti-inflationary programmes adopted by the federal government in 1969 have produced even higher rates of unemployment in the Atlantic provinces. The national commercial policy is a key variable influencing regional growth patterns. The Canadian protective tariff policy, for example, hinders regional economic development. J. H. Young claims that the tariff is in fact a "regressive sales tax" on all Canadians, "calculated at upwards of one billion dollars annually, the yield of which accrues indirectly to central Canadian manufacturing enterprises."<sup>11</sup>

Finally, inevitable transfer effects are not to be forgotten. Corporate income subject to federal taxation, is seldom solely earned in the region in which corporate taxes are paid or dividends received. Similarly, personal income gained in any province is frequently due to sales of commodities and services in other regions.

Indeed, there seems little doubt as to the justification of regional economic disparity alleviation programs. The federal or central government should, in the interest of national well-being,

attempt to ameliorate situations of significant regional economic disparity.

The B.N.A. Act has no specific provisions regarding regional economic disparity. Rather it accentuates the problem as the Canadian federation is composed of provinces with widely varying financial capacities for carrying on their equal constitutional functions.

Section 91, subsection 3 endows the federal government with great powers regarding the raising of revenue, "The raising of money by any mode or system of taxation."<sup>12</sup> Thus the federal power is authorized to levy both direct and indirect taxation; it also possesses substantial borrowing powers. However, no specific powers are granted for economic development or the provision of social services. Rather, in the preamble of Section 91, the federal government is empowered, "to make Laws for the Peace, Order and good government of Canada,"<sup>13</sup> in relation to matters not specifically assigned to the provinces.

The revenue powers of a province are limited by Section 92, subsection 2 of the B.N.A. Act, "Direct taxation within the province in order to the raising of a revenue for provincial purposes."<sup>14</sup> The duties of provinces, as established in the B.N.A. Act, are substantial. They include the provision of certain social services, local works and undertakings other than such as are of a specifically non-provincial nature, and "generally all matters of a merely local or private nature in the Province."<sup>15</sup>

Consequently, the federal government has the power of the purse while the provincial governments have the duty to provide a growing



and increasingly costly range of services in health, education, transportation, resource development, housing, and social assistance. Therefore, the federal government has the ability to aid less economically advantaged regions and lessen the problem discussed in the thesis.

Regional economic disparity was considered to be important enough to be included as a central issue in Canada's constitutional conferences held in the 1968 to 1971 period. This is a positive sign as it can be seen as a indication of government recognition of the critical nature of the problem. Throughout these conferences, Newfoundland, one of Canada's provinces most affected by the matter of regional disparity, demanded strong federal action in consultation with the provinces to remedy the problem. In one of its submissions, the Newfoundland government asserted that;

The constitution shall vest powers in the Central Government to take such special measures in consultation with the provinces as may be necessary from time to time to combat and eliminate regional disparities throughout Canada. These measures were to be either of general application or, if the need exists, designed for the specific purpose of dealing with problems in individual provinces and the Central government shall not be limited or confined by the constitution with respect to the nature and extent of the action which it may take to assist in solving this serious problem in any particular area or areas.<sup>16</sup>

The federal government in its Victoria Charter accepted the principle of equality of opportunity for all Canadians, a reasonably equal provision of services, and economic development to reduce income disparity. It committed itself to:

- (1) The promotion of equality of opportunity and well being for all individuals in Canada,

- (2) the assurance, as nearly as possible, that essential public services of reasonable quality are available to all individuals in Canada; and
- (3) the promotion of economic development to reduce disparities in the social and economic opportunities for all individuals in Canada wherever they may live.<sup>17</sup>

Newfoundland was the province, within the Atlantic region, experiencing the lowest income level in 1970. Significant provincial differences were to be found in the 1970 per capita personal income as compared with the Canadian average:

Province	Per Capita Personal Income	% of Canadian Average
Newfoundland	\$1784	59
Prince Edward Island	1955	63
Nova Scotia	2482	80
New Brunswick	2276	73
Quebec	2809	91
Ontario	3584	113
Manitoba	2996	97
Saskatchewan	2391	77
Alberta	3074	99
British Columbia	3293	107
Yukon and the North West Territories	2612	84

The overall economic income of the average family in an outport was an even more pronounced indication of the regional economic disparity experienced by Newfoundland. This income was

only about \$2,300 in 1969--less than \$200<sup>19</sup> a month. Furthermore, more than half of this income was derived from transfer payments, that is, Old Age Pensions, Family Allowances, Unemployment Insurance and Welfare cheques paid out under our new Canada Assistance Plan.<sup>20</sup>

The primary objective of this thesis is to study the Federal attempts at relieving regional economic disparity in Newfoundland. More specifically, it is to describe the federal regional economic development efforts which have been undertaken in Newfoundland since 1949, to identify the programs involved, to quantify costs and benefits resulting from selected programs and to assess and evaluate the federal role in regional economic disparity alleviation in this province. Particular stress will be placed upon the most comprehensive of these federal efforts, the Department of Regional Economic Expansion, (D.R.E.E.). This thesis will try to examine the relative effectiveness of the emphasis of the D.R.E.E. strategy upon urbanization as opposed to the lack of emphasis it has placed on rural development as a means of reducing Newfoundland's experience with regional economic disparity.

Materials for this study were obtained in the following manner. First, numerous interviews were conducted with people dealing with federal-provincial (D.R.E.E.) programs, including provincial and federal politicians and civil servants. Second, the great majority of federal, provincial, and academic publications dealing with regional disparity, with reference to Newfoundland, were studied. Third,

statistical information was obtained from various published sources regarding the costs and benefits of federal programs in Newfoundland. Fourth, there was extensive field work of approximately three months duration. This aspect of the inquiry required detailed interviews with government officials and the people concerned. It also required statistical research leading to benefit-cost comparisons with respect to certain federal-provincial rural development programs in Newfoundland. It may be noted, finally, that these data span the period from 1949 to January 1973.

## CHAPTER II

### FEDERAL-PROVINCIAL DEVELOPMENT PROGRAMS,

1948 to 1969

Federal programs prior to those undertaken in 1969, when the federal Department of Regional Economic Expansion (D.R.E.E.) was established, can be summarized best in terms of three time periods. 1948 to 1957 was a period in which Newfoundland's chronic problems were largely unattended by the federal Liberal administration. 1957 to 1962 was a period in which some help was obtained from Mr. Diefenbaker's cautious policy experiments. 1963 to 1968 was a period of increased federal aid under Mr. Pearson. During these periods, such programs as fiscal equilization payments to provinces, the Atlantic Adjustment Grants, the Atlantic Development Board, (A.D.B.), the Agricultural Rural Development Agency, (A.R.D.A.), and the Fund for Rural Economic Development, (F.R.E.D.) were devised by the federal government to reduce income disparities in the poorer provinces.

During the first period, (1948 - 1957), Newfoundland received little assistance from Ottawa other than the tax rental payments made to all provinces. Between the fiscal years 1949-1950, and 1956-1957, for example, unconditional grants were increased from 13.3 million in 1949-1950 to 17.8 million in 1956-1957.<sup>1</sup> However, the gap in the average per capita personal income between Newfoundland

and Canada increased considerably during this same period--from \$460 to \$680.<sup>2</sup> Thus Ottawa's assistance to Newfoundland was far from adequate as it was associated with a widening income disparity.

During the Diefenbaker era, from 1957 to 1962, there was increased federal support for the Atlantic provinces, including Newfoundland. The first program involved the establishment of Atlantic Adjustment Grants. In 1957, Prime Minister Diefenbaker originally proposed this grant system to compensate the three Maritime provinces for their relatively low living standards. Premier Smallwood had this grant extended to the four Atlantic provinces and thus 7.5 million federal dollars entered Newfoundland's treasury annually.<sup>3</sup> In 1962 this amount was increased to \$10.5 million.<sup>4</sup>

In 1957, Prime Minister St. Laurent began his program of fiscal equilization payments, an attempt to further compensate the poorer provinces. Upon his election as Prime Minister, Mr. Diefenbaker increased these payments which added substantially to provincial revenues. Newfoundland received the following amounts of equilization payments within the 1958 to 1962 period.

1958	\$11.6 million
1959	12.2
1960	14.3
1961	15.4
1962	11.2 <sup>5</sup>

The 1962 decrease in equilization payments is attributable to the new equilization payment formula, accounting for natural resource

potential as well as per capita income stated in the 1961 Federal-Provincial Fiscal Arrangements Act.<sup>6</sup>

Some other federal accomplishments also occurred in this period. Mr. Diefenbaker's Atlantic Provinces Power Development Act enabled the province to expand its power resources.<sup>7</sup> His Vocational Training Act permitted the erection of ten new vocational schools by 1962, and highway construction was expanded as a result of the Roads to Resources Program.<sup>8</sup> Furthermore, a branch of the Industrial Development Bank was set up in St. John's in 1961 to aid industrial expansion.<sup>9</sup>

Not to be forgotten during this period was the Diefenbaker-Smallwood controversy over Term 29. Term 29 was a provision of Newfoundland's Terms of Union, stating, among other things, that eight years after the date of union, a special study would be conducted to determine the annual amount required to raise Newfoundland's standard of public services to that prevailing in the three Maritime Provinces. Mr. Diefenbaker appointed the McNair Commission to study the situation and recommend a solution. In May, 1958, this commission recommended an annual payment of \$8 million, (less a "transitional grant") until 1962, and then 8 million annually.<sup>10</sup> Mr. Diefenbaker, however, did not accept the commission's recommendations. He determined that in 1962 Canada's obligation under Term 29 would terminate, and that no further payments would be made to Newfoundland. Mr. Smallwood, annoyed at the Commission's recommendations to begin with, was further astounded by the idea of this complete withdrawal in 1962. He went to Ottawa to demand that the Term 29 settlement be increased to the \$15 million recommended by a provincial commission on the

matter.<sup>11</sup> However, Mr. Diefenbaker refused, saying that the decision was "final and irrevocable."<sup>12</sup>

Yet, the McNair Commission established that Newfoundland was far behind the Canadian economic average. By 1962 her road system was poor, and her proportion of houses with indoor plumbing was one-third the Canadian average.<sup>13</sup> Definitely more and not less federal assistance was required to alleviate this condition.

During the Pearson era, 1963 to 1968, Newfoundland received more federal financial assistance than in either of the two previous periods. Mr. Diefenbaker's decision regarding Term 29 was reversed. Instead, Mr. Pearson, in 1966, adopted the McNair Commission's recommendation. Federal assistance to Newfoundland, however, was largely due to the efforts of the Honourable J. W. Pickersgill, the federal Newfoundland cabinet minister.<sup>14</sup> Included in his accomplishments was a federal commitment to pay 90% of the cost of completing the Trans Canada Highway: the federal-provincial cost-sharing formula until that time was a 50% contribution by each jurisdiction.<sup>15</sup>

The main programs developed by the Pearson administration to deal with regional economic disparity include the following; the Agricultural Rural Development Agency, A.R.D.A.; the Area Development Agency (A.D.A.); the Atlantic Development Board, (A.D.B.), and the substantial expansion of fiscal Equilization Payments. The first program, actually conceived and launched by the Honourable Alvin Hamilton during the Diefenbaker period, was expanded by the Liberal government. The second program was designed to foster industrial location in slow-growth or "designated" areas through a system of



corporate tax incentives. The third program established a special agency with a capital fund, initially amounting to \$100 million to engage in regional capital assistance programs in the Atlantic area. The objectives of these economic development policies and their results are described below.

In the early years of union with Canada, Newfoundland experienced grave problems because of the absence of rural development. In 1961, 70% of its rural non-farm families were estimated to have received incomes of less than \$3000 per annum.<sup>16</sup> This proportion exceeded that of the Atlantic region, as a whole, 58%, and was almost twice the national average of 40%.<sup>17</sup>

The objective of A.R.D.A. was to aid people in rural areas, "not by charity but by providing the people with opportunities to help themselves."<sup>18</sup> A.R.D.A. was a section of the federal Department of Agriculture; its programs required federal-provincial co-operation and a sharing of the costs. Various types of projects could be undertaken including the developing of more efficient use and economic production of marginal or submarginal land in rural areas, soil and water conservation, and research into rural development.

Under the first A.R.D.A. Agreement (1963-1965), \$1.08 million was approved in federal funds, but only \$463,000 was spent.<sup>19</sup> It is interesting to note that 49% of the amount approved was to be spent on research, an amount over three times the A.R.D.A. Canadian average of 15%.<sup>20</sup> Newfoundland signed a second A.R.D.A. agreement in 1965. This was a five year agreement and it provided assistance to rural people to re-establish themselves in new employment or to resettle

in areas where opportunities existed. A.R.D.A. was then administered by the federal Department of Forestry and in 1966 the provincial government set up the Department of Community and Social Development to implement the programs in Newfoundland.

During the five year duration of the second agreement, the total federal contributions were \$2.937 million.<sup>21</sup> Money was expended in several basic areas; general administration, human resources, soil and water resource development, provincial administration and research. As in the first A.R.D.A. agreement, a large portion of the funds of the second agreement were spent on research work. In fact, Newfoundland received 10.6% of all A.R.D.A. research projects awarded in Canada.<sup>22</sup> Unquestionably, the most significant of these research projects was the 1966 federal-provincial task force for the preparation of a comprehensive rural development plan to qualify for the Fund for Rural Economic Development (F.R.E.D.), a program, supplementary to A.R.D.A. in rural development. This task force report was completed in 1967.<sup>23</sup> However, it was according to federal requirement insufficiently comprehensive and further provincial research was required. The Department of Community and Social Development subsequently presented a two-volume report to the federal government on August 1, 1968.<sup>24</sup> This report, however, was submitted too late to be eligible for F.R.E.D. programs as the federal government was questioning the role of its previous rural development policy by then.<sup>25</sup> Thus, Newfoundland was forced to await the creation of the Department of Regional Economic Expansion, (D.R.E.E.) in order to receive further federal aid designed to alleviate the problem of regional disparity.

Little apparent success resulted from A.R.D.A. policy in Newfoundland. Much of its effort had been devoted to obtaining a F.R.E.D. program, and it had failed in this quest. McCrorie states:

Apart from a small number of minor projects concerning community pastures, clearing and breaking, blueberry projects and experiments with mechanisation in the inshore and offshore fisheries, the focus of attention was on research and designing a strategy for F.R.E.D. development in the province.<sup>26</sup>

Moreover, A.R.D.A. lacked an objective in rural development planning. Rather, as one member of the A.R.D.A. task force states, it was an unco-ordinated ad hoc program:

Indeed it would appear that the world of the Task Force, to date, has been more of a ritual than anything else. One should not be surprised if "planning" in Newfoundland amounts to nothing more than a disjointed series of ad hoc programs, designed either to integrate the rural population in this manner with the common, semi-industrial based community, or keep the rural community content and indebted.<sup>27</sup>

The Area Development Agency was set up in 1963, under the newly established federal Department of Industry. Its objectives were twofold. First, it was to encourage the establishment or expansion of profitable industries and to help them to adapt and, in certain areas, to adjust themselves to changes in the economic environment. A subsidiary objective was to make sure that various federal policies were conceived and co-ordinated in ways which would be of maximum help to the areas of maximum need.<sup>28</sup>

Thirty-five areas in Canada were designated. These were areas experiencing chronically high levels of unemployment and featuring very slow rates of growth. By 1965, the entire Atlantic region, except four cities in the Maritime provinces experiencing moderate growth, was included within the eligible areas.

Considerable tax concessions in the form of accelerated depreciation write-offs, and later incentive grants, were offered to industries locating in these designated areas.

In Newfoundland, during the period December 1963 to December 1967, \$220,700,000 of investment in fixed assets in designated areas occurred as a result of A.D.A. incentives.<sup>29</sup> This investment, it is estimated, produced some 3912 jobs in the same period.<sup>30</sup> The average cost per job was thus \$56,413.54.<sup>31</sup> How much of the fixed assets investment was actually contributed by the federal government is not known, but given the schedule of government grants, presumably the figure is between one-third and one-fifth.<sup>32</sup> If one assumes it to be one-quarter, then, the A.D.A. program contributed an average of \$14,103.39 per job in Newfoundland, as a total amount of \$55,170,936 federal grants came to Newfoundland over the four year period.<sup>33</sup>

It is clear that A.D.A. has had very limited success in carrying out its objectives in Newfoundland. Certainly, it had very questionable achievements in carrying out its main purpose, namely, the encouragement of investment in the province. A.D.A. induced investment represented only 15% of the total provincial investment for the period December 1963 to December 1967.<sup>34</sup> A further criticism of A.D.A. was its failure to work out a long range program to combat the basic causes of regional disparity. Rather, as Brewis notes, its real effect was chiefly to ameliorate the impact of unemployment--a symptom of regional disparity.

No effort was made to analyse the causes of distress or to provide assistance within the framework of some coherent program of development worked out in conjunction with provincial governments. The designated areas are not selected with a view to encouraging economic growth but are convenient

administrative units which happen to display certain characteristics of distress, notably chronic unemployment. Since the emphasis is on chronic unemployment, steps to forestall impending distress are not taken.<sup>35</sup>

The Atlantic Development Board, or A.D.B., was a federal body set up by Mr. Diefenbaker on December 20, 1962. Upon the election of the Liberal administration, the Board was restructured and its powers extended. Its object was to devise measures and projects for fostering the economic growth and development of the Atlantic region.<sup>36</sup> It had both advisory and operational powers and had a fund of \$100 million, until it was increased to \$150 million in 1966. The Board utilized three essential principles in its battle to reduce regional economic disparity. It attempted a joint and closely co-ordinated development of programs with the governments of the Atlantic provinces. It tried to concern itself with the overall basic structure of the region's economy and with the causes of the current problems rather than merely with their symptoms. It made an effort to obtain federal financial assistance for essential development projects for which satisfactory financial arrangements were not otherwise available.<sup>37</sup>

The A.D.B. began operation in Newfoundland in 1963 and was taken over by D.R.E.E. in 1969. During this six year period, it committed \$60,767,251 and expended \$48,556,663 by 1969.<sup>38</sup> Its activities include highway development, hydro development, industrial water supplies, industrial expansion, research and miscellaneous programs. More specifically, the money was allocated as follows:

Highway Development	\$21.5 million
Hydro Development	24.0

Industrial Water Supplies	\$7.132	
Industrial Development	1.250	
Research Studies	.050	
Miscellaneous	6.5	<sup>39</sup>

Despite its contribution, the A.D.B.'s achievement in alleviating Newfoundland's problem of regional economic disparity was not substantial. The basic criticism relates to its ad hoc, rather than planned approach to the problem. Brewis substantiates this accusation.

It is necessary to know how the various types of investment are interrelated with each other in the light of specific objectives. In the absence of such a framework it is impossible to say whether very heavy emphasis on particular projects, such as the production of power, can be justified.<sup>40</sup>

Although the A.D.B. was charged by statute to develop an overall economic plan for the Atlantic region, it never did succeed in fulfilling that critical responsibility.<sup>41</sup>

During the period, 1963 to 1969, equalization payments to Newfoundland, rose considerably. These annual, unconditional grants were as follows:

1963	\$13.5 million
1964	15.0
1965	18.4
1966	22.2
1967	29.0
1968	65.2
1969	72.7 <sup>42</sup>

During the first five years these payments doubled in size--\$29.0

million in 1967 as compared to \$13.5 million in 1963. In the latter year, 1968, indeed, provincial gross general revenue amounted to some \$262.5 million, of which \$65.1 million accrued in the form of conditional federal transfers.<sup>43</sup> All unconditional transfers, including the equilization payments, totalled \$83 million.<sup>44</sup> Total federal transfers in that year, thus reached \$148.1 million, or approximately, 56% of provincial revenue. Newfoundland's budgetary requirement, therefore, came to depend heavily on Ottawa's contributions, without which existing service levels could not have been maintained. These public service levels, however, did not substantially reduce the propensity toward regional economic disparity.

During the period from 1963 to 1969, Newfoundland received substantially more money from the federal treasury than in the two previous periods, but the A.D.A., the A.D.B., and the A.R.D.A. monies totalling \$119,955,187 million were largely given on an ad hoc basis. No development plan with an appropriate strategy had been devised. A substantial opportunity to avail itself of F.R.E.D. monies was lost by the province, although New Brunswick, Manitoba, Quebec and Prince Edward Island has achieved substantial federal assistance prior to the discontinuation of the F.R.E.D. scheme.

Clearly not enough had been done during the two decades prior to 1969 to reduce Newfoundland's regional economic disparity. The planning activities of A.R.D.A., A.D.A., and A.D.B. were unco-ordinated and open to question regarding objectives in development. The equilization payments, though increased significantly after 1961, were only alleviatory measures, not solutions as indicated above. They did

permit, however, substantial increases in public service levels. But much more effective federal and provincial action was desperately required. In 1968, Newfoundland experienced a per capita personal income 56% of the national average and an unemployment rate 226% of the Canadian average--certainly a strong indication of regional economic disparity.<sup>45</sup> The following table of unemployment rates and per capita personal incomes, calculated as a percentage of the national average attests to the severity of the regional economic disparity experienced by Newfoundland during the 1949 to 1968 period.



## Unemployment Rates - Per Capita Personal Income

Year	Newfoundland	% Canada	Newfoundland	% Canada
1950	12.4	320	\$507	52
1951	6.9	260	571	51
1952	5.9	198	612	51
1953	5.9	198	658	54
1954	6.0	130	656	55
1955	6.7	152	682	54
1956	7.5	220	749	55
1957	10.8	230	779	56
1958	18.9	270	794	55
1959	19.8	330	823	56
1960	17.1	254	877	58
1961	20.5	289	932	59
1962	17.5	297	951	58
1963	14.2	258	998	56
1964	10.4	221	1070	57
1965	11.3	289	1154	56
1966	7.9	219	1274	57
1967	8.4	205	1398	57
1968	9.7	226	1489	56

## CHAPTER III

### DREE IN NEWFOUNDLAND--AN OVERVIEW

In an attempt to "insure that economic growth is dispersed widely enough across Canada to bring employment and earning opportunities in hitherto slow growth regions as close as possible to those in the rest of the country,"<sup>1</sup> the federal government set up the Department of Regional Economic Expansion (D.R.E.E.), in 1969.

The jurisdiction of this department, namely, economic expansion and social adjustment, was set out in Section V of the Act respecting D.R.E.E.

The duties, powers and functions of the Minister extend to and include:

- (a) all matters over which the Parliament of Canada has jurisdiction, not by law assigned to any other department, branch or agency of the Government of Canada relating to economic expansion and social adjustment in areas requiring special measures to improve opportunities for productive employment and access to those opportunities, and
- (b) such other matters over which the Parliament of Canada has jurisdiction relating to economic expansion and social adjustment as are by law assigned to the Minister.<sup>2</sup>

D.R.E.E. attempted to reduce regional economic disparity in Newfoundland through a strategy based upon the three following interconnected programs: industrial incentives, infrastructure assistance, and rural development and social adjustment.<sup>3</sup> The objective of the industrial development part of D.R.E.E. programs was to induce firms

to locate or expand their operations in areas where jobs were desperately needed. Incentive grants and loan guarantees were the principal instruments used to attract this industrial activity. The second main element of the strategy, infrastructure assistance, was designed to make communities more attractive to potential investors. This was done via the special areas program where potential growth centres were provided with financial assistance for the provision of basic infrastructure. The third component of the D.R.E.E. strategy was directed at rural development and social adjustment. It was concerned with improvements in the quality of agricultural lands and in other primary resource activity on which so many Canadians depend. Social and human problems associated with slow growth conditions were also to be tackled.

This strategy stressed that the promotion of urban growth, through industrial incentive and infrastructure assistance programs, rather than the encouragement of rural development, was a more effective approach to the alleviation of the regional economic disparity experienced by this province. Mr. Tom Kent, former deputy minister of D.R.E.E., explained the rationale of this strategy.

Our population growth is going to occur in cities and large to medium-sized towns. Relatively fewer people are going to live on farms and in villages and small towns.

It is, of course, a prediction to which there is a good deal of emotional resistance. Ideas about the superiority of rural life are deeply entrenched in our value system. But they are not the ideas that determine what is happening and will happen. They are not the way it is.

We should recognize that. Despite the emotional resistance, we should have national programs, and particularly public investments, on a full recognition of the reality of continuing urban growth.<sup>4</sup>

Clearly this emphasis of D.R.E.E. development strategy is proclaimed by the 91% or \$159.472 million commitment, that is actual and potential expenditure, to date of total funds on the urbanization programs, namely, industrial incentives and infrastructure assistance, as compared to the 9% or \$14.063 million committed to rural development.<sup>5</sup> This thesis will try to define the strategy behind D.R.E.E.'s development efforts in Newfoundland via an examination of the three aforementioned programs.

Industrial expansion, as indicated above, was one of the two programs in the urbanization portion of the strategy that D.R.E.E. employed in the conquest of regional economic disparity in Newfoundland. This program accounted for \$28.6 million or 16% of total D.R.E.E. expenditure.<sup>6</sup> The federal Regional Development Incentives Act and the Newfoundland and Labrador Development Corporation were the principal instruments in the industrial incentives program. The Industrial Incentives Act, more commonly known as the Regional Development Incentives Act, was passed in 1969, for this purpose. Certain regions in all ten provinces were designated for the purposes of this Act, after consultation between D.R.E.E. and the provincial governments. The entire Atlantic region, and thus Newfoundland, was designated as Incentive Region A, the area eligible for the highest variety of incentives, known as the primary incentive.<sup>7</sup> Assistance to industry in the Atlantic region was provided in the form of a cash grant which allowed for the establishment, expansion or modernization of a processing or manufacturing facility. Manufacturing was seen as the salvation of these designated regions because the economic spin-off in terms of employment is greatest in the secondary manufacturing

sector and generally the multiplier effect is more substantial. There are two types of incentives available. The primary incentive provides grants up to 20% of "approved capital costs for" expansion and modernization of existing plants.<sup>8</sup> The maximum primary incentive is \$6 million.<sup>9</sup> In order to qualify for a primary incentive the approved capital costs of each project must be at least \$30,000.<sup>10</sup> The combined incentives provide grants up to 35% of "approved capital costs" plus up to \$7,000 per job created.<sup>11</sup> The ceiling of this type of incentive is the lesser of \$30,000 for each job created or one-half the capital to be employed in the operation.<sup>12</sup> The Act defines, "approved capital costs" as including the cost to the applicant of purchasing buildings, equipment and machinery plus the direct cost of designing, acquiring, constructing, transporting and installing the assets.<sup>13</sup> An application for a combined incentive is valid only if the approved capital costs equal or exceed \$60,000.<sup>14</sup> Another important factor determining eligibility is the applicant's equity requirement. An equity of 20% of approved capital costs is the minimum requirement under the Act.<sup>15</sup> Equity is defined as "the total share capital, earned surplus and subordinated shareholders' loans that the applicant provides for the financing of an operation."<sup>16</sup>

It is emphasized that the incentive system described above extends only to industrial activity categorized as "manufacturing and processing operations." Under the R.D.I.A. Regulations, for instance, incentive payments are not available for land, automobile, patent, copyright, franchise, goodwill and certain other costs associated with industrial projects.<sup>17</sup> Neither are incentives available to the

following specific activities: transportation or merchandizing; the growing, harvesting or catching of products of nature; the extracting of minerals by any method; the production of energy, except as an integral part of an approved operation; the production of fertilizer or foodstuffs; the mixing of concrete or asphalt; the processing of some natural products (hides, peat or Irish moss; stone cutting or polishing); salt or potash extraction; any mobile processing or manufacturing activity; construction work; repairing as distinct from rebuilding; rendering of consumer services; publishing other than printing; and finally, oil refining.<sup>18</sup>

Industrial incentives are also available to applicants proposing to expand their operations in: the roasting, leaching or smelting of mineral concentrates to produce metals; the converting of wood pulp into paperboard or paper other than newsprint; the processing, other than oil refining, of a product resulting in a significant chemical change in the principal material used.<sup>19</sup>

R.D.I.A. incentives payments are not subject to income tax. Companies wishing to avail themselves of these incentives cannot accept similar project incentives from provincial or municipal governments.<sup>20</sup>

The R.D.I.A. amendemnt of December, 1970, also authorized certain loan guarantees for commerical facilities in designated regions. These federal loan guarantees can be provided for part of the loan financing required in connection with major commercial operations, including business offices, warehouses, shopping centres, convention facilities, hotel accommodation or recreational facilities.<sup>21</sup>

Guarantees cannot exceed 90% of the borrowing plus interest, and are subject to a small fee payable monthly by the lender to the federal government.<sup>22</sup> As a general rule these loan guarantees are restricted to projects the whole capital costs of which exceed \$500,000, in the case of small communities, and \$1,000,000 in the case of larger urban centres.<sup>23</sup>

R.D.I.A. is essentially a federal program with limited, if any, provincial participation. The industrial incentives program is administered within D.R.E.E. by the Incentives Division, which consists of two Branches--the Industrial Intelligence and Promotion Branch, and the Industrial Incentives Branch. The function of the Industrial Intelligence and Promotion Branch is to promote the incentives programs and to stimulate industrial development. This branch has an office in St. John's, Newfoundland. The Industrial Incentives Branch has the duty of managing the industrial incentives program. This involves receiving applications for assistance, determining eligibility for the estimated incentive grant applicable, carrying out a subsequent inspection to ensure that commercial production has commenced and to determine and authorize the actual incentive to be paid.

During the period 1970 to January 9, 1973, sixty-two Newfoundland applications have been approved and accepted.<sup>24</sup> The amount of accepted incentive offers is estimated at \$8,590,894 and the number of expected jobs is 1977.<sup>25</sup> Consequently, the average cost per job is \$4345.42. The following table gives an indication of R.D.I.A. yearly activity in Newfoundland:

<u>YEAR</u>	<u>GRANT</u>	<u>JOBS</u>
1970	\$ 850,531	269
1971	5,210,987	1092
1972	2,253,576	570 <sup>26</sup>

The majority of the accepted incentive offers falls within the category of primary industry; thirty-eight as opposed to twenty-four in secondary industry.<sup>27</sup> Fish processing accounted for the major part of these offers--twenty-six of the thirty-eight.<sup>28</sup> The remaining twelve incentive offers were divided between lumber and fruit and vegetable processing.<sup>29</sup> The twenty-four secondary industry offers aided in the establishment of industries such as electronic instruments, furniture, metal manufacturing and neon signs.<sup>30</sup>

The Newfoundland-Labrador Development Corporation Agreement, the second part of the industrial incentives program was signed by the government of Canada and the province of Newfoundland on July 17, 1972, following lengthy negotiation. For reasons apparent in the above table, much criticism was leveled at D.R.E.E. because the R.D.I.A. incentives were not suitable in relation to Newfoundland's small business character, and consequently D.R.E.E. was encouraged to make further provision for Newfoundland industrial expansion. The aim of this agreement, therefore, was the encouragement of economic activity in Newfoundland through the establishment of a new instrument for assisting small and medium-sized businesses.

The Newfoundland-Labrador Development Corporation shall be administered by a Board of Directors, of not less than five, but not



more than ten directors, of which the province shall appoint three-fifths and the federal government, the remainder.<sup>31</sup> The Corporation's head office shall be in St. John's. The agreement providing for its operation shall extend for a period of five years, 1972-77. Funds for the Corporation shall be \$20 million federal and \$2 million provincial, all of which shall be equity capital.<sup>32</sup> Besides providing loans for the establishment, expansion, or modernization of local industries, this corporation will make the following facilities available to small and medium-sized businesses: industrial intelligence; management advisory services; project information; and various related services and assistance.<sup>33</sup> The Corporation is currently in the process of organization; it hopes to be fully operational by July, 1973.

Infrastructure assistance was the other program within the urbanization portion of the strategy that D.R.E.E. employed in its conquest of regional economic disparity in Newfoundland. This program accounted for \$130.881 million, or 75% of total D.R.E.E. expenditure<sup>34</sup> and took two forms, namely, the special areas program, and the building of roads.

The D.R.E.E. special areas program was announced in 1970 as a further measure in the federal government's battle against regional economic disparity. The basic provision of the special areas program was the erection of infrastructure facilities, so called, in certain areas deemed to be actual or potential growth centres, in the hope of attracting industry. The Honourable Jean Marchand provided the following rationale in a debate in reply to the 1972 Speech from the Throne:

Incentive grants would not be enough to attract viable industries to places lacking basic services for them and their employees and families. Accordingly, through our special areas program, we are providing communities with the financial assistance they need to increase public investment in the services that permit growth.<sup>35</sup>

He further elaborated on this point while speaking to the Newfoundland and Labrador Development Conference at St. John's on February 3, 1971.

They (the decisions regarding infrastructure programs) are simply the sensible priorities for federal aid for development. That is to say, the principal projects in these areas are the ones that will do most good for the longest time for most people.<sup>36</sup>

This aim was pursued by assisting selected growth centres with such infrastructure as schools, industrial parks, roads, water and sewage systems. The criteria of finance involved both loans and grants depending upon the type of infrastructure. For example, road construction projects received a 100% federal grant, school construction projects received a 75% federal grant, water systems received a 50% federal grant and land acquisition received a 100% federal loan.<sup>37</sup>

Newfoundland was eligible for this program as eight of the twenty-two designated areas in Canada were located in this province. These areas were: St. John's, Corner Brook, Burin, Come by Chance, Grand Falls--Gander, Stephenville, Hawke's Bay--Port au Choix, and Happy Valley.

The special areas program, in order to be effective, involves substantial federal and provincial consultation and co-operation. Agreements were entered into by the two levels of government to carry out the objectives of the program. Two joint committees were responsible for their administration. A Liason Committee of federal and provincial officials concerned itself with day to day matters

relating to the various capital projects, while a Joint Planning Committee had jurisdiction over future planning and activities. The First Special Areas and Highways Agreement was signed on April 21, 1970 after hurried consultations. It provided a total federal amount of \$81.64 million for infrastructure; \$62.194 to be spent within the Special Areas and \$19.444 to be spent on highway construction.<sup>38</sup> The agreement was to cover a two year period, namely, the fiscal years 1970-71 and 1971-72. During the first year a total of \$54 million was allocated: \$31 million in grants and \$10.2 million in loans.<sup>39</sup> The amount allocated for the second year was \$40.4 million: \$31 million in grants and \$9.4 million in loans.<sup>40</sup>

The First Special Areas Agreement made provision for forty-seven non-highway projects, costing \$62.194 million.<sup>41</sup> This infrastructure consisted of: twelve schools, eighteen water and sewer systems, and ten land acquisition and preparation arrangements. The following table indicates the nature and location of projects included in the First Special Area Agreement:<sup>42</sup>

PROJECTS OF FIRST SPECIAL AREAS AGREEMENT

AREA	ROADS	SCHOOLS	WATER + SEWAGE	LAND
St. John's	2	4	8	2
Burin	2	4	1	1
Come by Chance			1	
Grand Falls	1	1	1	
Stephenville	1	1	1	
Corner Brook	1		3	2
Hawkes Bay			3	3
Happy Valley		2		2
TOTALS	7	12	18	10

The Second Special Areas Agreement, a document dissolving the First Special Areas and Highways Agreement, was signed on August 9, 1971 after detailed negotiation. However, the 1971 provincial election should not be dismissed as a prime reason for it. Under the terms of this agreement, to extend until March 31, 1975, the federal government made available a total of \$110.881 million to be used for carryover projects from the first agreement, new and extended projects, and feasibility studies. This amount was allocated in the following manner: \$82.64 million for carryover projects; \$27.507 million for new and extended projects; and \$.834,375 million for feasibility studies.<sup>43</sup> This money was provided as follows: \$76.745 million in grants and \$34.136 in loans.<sup>44</sup> The agreement also made provision for an annual review to add further projects which would subsequently be identified as priorities in the later years of the five year agreement.<sup>45</sup> The total number of special area infrastructure projects involved was sixty-four: forty-seven carryover projects; seven significantly extended projects; and seventeen new projects. The twenty-four non-carryover projects can be classified by type: three roads; six schools; eight water and sewage systems and seven land assembly schemes. The following table summarizes the authorized projects:<sup>46</sup>

## PROJECTS FOR SECOND SPECIAL AREAS AGREEMENT

AREA	ROADS	SCHOOLS	WATER + SEWAGE	LAND
St. John's		1	2	
Burin	1			2
Come by Chance				
Grand Falls			3	
Stephenville	1	1	2	2
Corner Brook	1	1	1	2
Hawke's Bay		2		1
Happy Valley		1		
TOTALS	3	6	8	7

Consequently, the Special Areas program provided \$86,271,375 million of federal funds to be spent on Newfoundland non-highway infrastructure.<sup>47</sup> The capital projects supported included eleven roads, seventeen new schools, twenty-four water and sewage systems, and fourteen land use projects for urban development.

The second part of D.R.E.E.'s infrastructure assistance program in Newfoundland was highway aid. D.R.E.E. recognized the urgent need for roads in Newfoundland in relation to the promotion of economic development; it thus signed two Highways Agreements with the provinces. Under the terms of these agreements the federal government agreed to grant 100% of the direct cost road construction.<sup>48</sup> This program, similar to the Special Areas Agreements, is administered by

both the federal and the provincial governments. Two intergovernmental joint committees, the Liaison and the Joint Planning groups, conduct the affairs of the highway program.

The First Special Areas and Highways Agreement provided a sum of \$19.444 million for the construction of highways during the 1970-1971 to 1971-1972 period.<sup>49</sup> The Second Special Areas Agreement which dissolved the above agreement provided \$24.71 million for the construction of highways and forest access roads in Newfoundland.<sup>50</sup> The roads constructed include six forest access roads, a portion of the Burin Peninsula road, the Burnt Island road, the Baie Verte road, the Lethbridge-Trinity road, the Trinity-Bonavista road, the Harbour Breton to Bay D'Espoir route, and the Long Harbour access road.

A Special Highways Agreement was signed on October 19, 1971. It was a two-year agreement for the period 1971-73. In this instance, the federal government assumed 100% of all direct costs and stipulated that the total amount of the agreement should not exceed \$20 million.<sup>51</sup> The roads constructed under the Special Highways Agreement include the Burin Peninsula road, the St. Lawrence road, the Lethbridge-Bonavista road, the Deer Lake to Wiltondale route, the Hawke's Bay to Port au Choix road, the Carbonear to Harbour Grace connection, the Gander Bay road, the Burnt Islands-Rose Blanche route, and several forest access roads.<sup>52</sup>

Thus, to date, D.R.E.E. has committed a total of \$44.71 million for road construction in Newfoundland.<sup>53</sup> Fifteen highways and many forest access roads, as a consequence, have been constructed. Those expenditures have substantially improved the province's required road system.

D.R.E.E. has made four separate agreements with Newfoundland

regarding the third element of its development strategy, namely its social adjustment and rural development program. These were, respectively, the Resettlement Agreement, the Minerals Agreement, the A.R.D.A. Agreement, and the Land Surveying and Mapping Agreement.

The aim of the Resettlement Agreement was to prepare Newfoundland for modernization by concentrating her population in small urban units rather than in the existing scattered isolated outports. Mr. William Rowe, the former Minister of Community and Social Development, outlined the rationale of this program in the following manner:

Offshore and deep sea fishing are displacing the shore operation. The weight of employment has been transferred from the primary to the service occupations and this calls for concentration of population in small urban units. People want also to have quick and easy access to hospitals, modern schools and municipal facilities.<sup>54</sup>

The Resettlement Agreement is administered by a Resettlement Committee composed of four provincial and four federal representatives. The day to day work is carried on by the provincial government which, in turn, is reimbursed from federal sources.

D.R.E.E.'s dealings with resettlement occurred in two stages, initially a carry over of the First Resettlement Agreement and subsequently the Second Resettlement Agreement. During the period 1969-70, D.R.E.E. continued the First Resettlement Agreement which had been undertaken by the federal Department of Fisheries in 1965. Under the first agreement, assistance of up to \$3,000 per family was granted, and during this period 119 communities were evacuated, comprising a grand total of 16,114 people.<sup>55</sup>

The Second Resettlement Agreement was signed July 17, 1970. It was a five year agreement, extending to March 31, 1975. An amount

of \$2.5 million was allocated for 1970-71; \$2.7 million for 1971-72; and \$1.7 for 1972-73; totalling \$6.9 million.<sup>56</sup> The federal government provided 75% of the resettlement cost as compared to 25% provincial.<sup>57</sup>

To be eligible for moving assistance, a family must be from a community that has decided by a petition of at least 80% of the householders to resettle. Families must desire to move either to a special area or to approved receiving communities. The granted assistance is substantial. A direct grant of \$1,200 is given to each eligible householder. An additional grant of \$200 is made for each member of the family in addition to the householder. The program pays for the actual travelling and moving expenses of the family, the household effects, the means of earning a living, including the stock-in-trade of a business but not including the cost of moving or replacing buildings. Furthermore, if a family moves to a Land Assembly Area, assistance of up to \$3,000 towards buying a lot may be granted. If a family moves to an approved receiving community where serviced land is available, or may be available soon, assistance towards buying a lot can be provided up to \$1,000. These amounts are considered initially as loans but are reduced by 20% for each year the family lives on the property, so that at the end of five years it is paid off.<sup>58</sup> From April, 1970 to January 31, 1973, the Second Resettlement Agreement has assisted in the movement of 732 households, comprising a total of 3581 people.<sup>59</sup>

The aim of D.R.E.E.'s work in the minerals sector was to do research regarding the mineral potential in Newfoundland and thereby increase employment and investment opportunities through the development of mineral-based industries in the province.



D.R.E.E.'s involvement with minerals involved two phases. In 1970, before the D.R.E.E. Minerals Agreement was signed, provision was made for the continuation of the Atlantic Development Board's initial commitment covering a basic agreed need; namely, a grant of \$660,000 in 1970-71 for surveying and mapping, and a further \$710,000 for the subsequent year.<sup>60</sup> Next, on August 23, 1971, a four-year Minerals Agreement was signed providing a sum of \$2.698 million for a program of mineral exploration and an evaluation of provincial resources.<sup>61</sup> The aim of this agreement is pursued through such programs as a mineral inventory, mineral development planning, prospector-technician training, a mineral evaluation survey, an analytical laboratory and a glacial geological-geochemical survey. The Minerals Agreement is administered by a intergovernmental management committee of officials composed of one representative of the federal Energy, Mines and Resources Department, one representative of D.R.E.E. and two provincial representatives.<sup>62</sup>

The third component of D.R.E.E.'s rural development program was A.R.D.A., the aim of which was to provide for a rural development program through land use adjustments, soil and water conservation schemes and the encouragement of local rural initiative projects.

This objective is set out in the Third A.R.D.A. Agreement, as follows:

And whereas the Agricultural and Rural Development Act (A.R.D.A.), inter alia, to co-operate with Newfoundland in research, formulation, implementation, and financing of programs and projects designed to improve the standard of living and create new opportunities for increased income and employment of people in rural regions to assist in the development of the fishery to promote more efficient use and greater development of rural lands, to assist in the development and conservation of water supplies and improvement

of soils and to help people with the related problems of adjustment.<sup>63</sup>

A.R.D.A. projects are to be carried out on a 50-50 cost shared basis. Project management and planning functions are vested in a federal-provincial Liaison Committee of officials to deal with current operations and a Joint-Planning Committee to be concerned with future operations.<sup>64</sup>

As has been previously mentioned, local initiative is encouraged by A.R.D.A. Programs must be drawn up by local communities. Thereafter, however, they must be submitted for recommendation to the joint federal-provincial A.R.D.A. Committee, be approved by the provincial minister, receive authorization by the federal Treasury Board for the funds required, and finally be approved by the federal minister.<sup>65</sup>

D.R.E.E. was responsible for the carry-over efforts of the Second A.R.D.A. Agreement, 1965-1970. It completed the administration of fifteen projects amounting to a federal contribution of \$278,750.<sup>66</sup> These projects dealt largely with resource adjustment in the fishery, agricultural and tourism sectors.

The Third A.R.D.A. Agreement was signed July 9, 1971, shortly before the Newfoundland October election and more than one year after the expiration of the Second A.R.D.A. Agreement. Negotiation was a lengthy and complicated process. On the twenty-fifth draft, after numerous problems had been resolved, agreement was reached.<sup>67</sup> The Agreement extends for a five-year period from 1971 to 1976. Two projects have been approved to date: \$95,000 for the Argentia Task Force and \$405,000 for the Port aux Basque water supply. The total federal contribution is \$500,000.<sup>68</sup>

To date, D.R.E.E. has done little, if anything, for Newfoundland under its A.R.D.A. program. Only two projects have been approved under the Third Agreement while many have been rejected by federal officials.<sup>69</sup>

Land Surveying and Mapping was the fourth element of the D.R.E.E. rural development and social adjustment program. The Land Surveying and Mapping Agreement was signed on October 5, 1972. The objective of this program was the promotion of the utilization of Newfoundland's land resources by means of a program of provincial surveying and mapping. The program is administered by a management committee comprised of two senior representatives of the province, a representative of D.R.E.E. and a person acting for the federal Department of Energy, Mines and Resources.<sup>70</sup>

This agreement covers a five year period from 1972 to 1977. Under its provisions the federal government committed a total of \$3.965 million.<sup>71</sup> This contribution amounts to 100% of the cost of surveying and mapping, plus an amount for the accommodation of the land registry staff and/or office space.<sup>72</sup>

In summary, it will be observed that D.R.E.E. has signed four agreements in the third program strategy area and, thus far, has committed a total of \$14.063 million in the field of rural development and social adjustment.<sup>73</sup> Substantial research, mineral and land utilization programs are underway. To January 31, 1973, 3581 Newfoundlanders have been resettled and there is provision for more assistance in the future. A.R.D.A. activity, despite its high potential, has been limited to date.

Besides the projects undertaken under the specific agreements

mentioned above, D.R.E.E. has also conducted several auxiliary activities such as research studies and the Employment Loans Program in Newfoundland. In addition, it has operated as the federal government's chief agent in a number of co-operative study projects with the province. Chief among these is a \$6.5 million forest inventory study of which D.R.E.E. paid 90%. This study is now nearing completion and it will establish an "information base" on the capacity of forest resources in the province as a basis for policy-making. Another study dealt with the St. John's urban region. D.R.E.E. provided \$78,000 or 50% of this cost. Also cost-shared by D.R.E.E. and the province was a \$30,000 inventory of school facilities in Newfoundland. Furthermore, the province was included in a \$74,000 study undertaken by D.R.E.E. of the potential impact of offshore oil and gas development on the economy of Eastern Canada. Finally, under new arrangements with the provincial government, D.R.E.E. is serving as the federal "contact point" for joint-planning of all sectors of the Newfoundland economy.<sup>74</sup>

D.R.E.E. plays the role of a mediator in regard to the Employment Loans Program. The federal Department of Finance allots the money to D.R.E.E., which in turn, passes it on to Canada Manpower for administration.<sup>75</sup> The objective of the program is employment creation during the winter months. To date, a total of \$30.7 million has been committed. This amount was provided as follows: 1970 -\$6.7; 1971 -\$7.5; 1972 -\$4.4; and 1972-74 -\$12.1 million.<sup>76</sup>

In conclusion, from its inception in 1969 to January 31, 1973, D.R.E.E. has attempted to alleviate the regional economic disparity

experienced by Newfoundland through a strategy, composed of three programs--industrial incentives, infrastructure assistance, and rural development and social adjustment. The emphasis of this strategy has obviously been on an urbanization, as opposed to, a rural development approach. In summary, D.R.E.E. has signed eight agreements with Newfoundland, and has committed \$173,534,894, that is actual and potential expenditure, towards alleviating the regional economic disparity of this province. The following chart, showing the strategy area, the agreements, the amounts, and benefits, summarizes D.R.E.E.'s role through its agreements in Newfoundland:<sup>77</sup>

Approach	Strategy Programs	% Expenditure	Agreements	Costs	Benefits	
Urbanization	Industrial Incentives	16	R.D.I.A.  Newfoundland and Labrador Development Corporation	\$ 8,590,894  20,000,000	Jobs - 1977 Businesses - 62  In operation July 1973	
	Infrastructure Assistance	75	Second Special Areas Agreement  Special Highways Agreement	110,881,000  20,000,000	64 special area projects 7 highways 6 forest access roads  8 highways several forest access roads	
	Rural Development	Social Adjustment  And Rural  Development	9	The Second Resettlement Agreement	6,900,000	3581 people
				Minerals and Exploration Agreement	2,698,000	Mineral Exploitation
Third A.R.D.A. Agreement				500,000	Research and one Water Supply	
Land Surveying - Mapping Agreement				3,965,000	Land Utilization	
	TOTALS	100		\$173,534,894		

When compared to D.R.E.E.'s actual expenditures to alleviate regional economic disparity in other Canadian provinces, its contribution to Newfoundland, Canada's most needy province, lags behind the per capita expenditure in Prince Edward Island and it is only slightly above that of New Brunswick. The following D.R.E.E. chart of actual per capita expenditure on all programs, by province, during the 1969-1970 to 1971-1972 period shows D.R.E.E. activity in Newfoundland as compared to the other Canadian provinces.

Province	Total Expenditure \$ Millions	Per Capita Expenditure
Newfoundland	133	\$249.44
Prince Edward Island	44.0	389.18
Nova Scotia	112.7	141.80
New Brunswick	140.3	218.20
Quebec	221.3	36.51
Ontario	49.2	6.28
Manitoba	50.6	51.01
Saskatchewan	50.6	55.16
Alberta	38.4	23.17
British Columbia	35.5	9.55
	<hr/>	<hr/>
TOTAL	896.9	78

## CHAPTER IV

### D.R.E.E. IN NEWFOUNDLAND

#### ANALYSIS: PART I:

#### URBANIZATION APPROACH

D.R.E.E.'s objective, namely the reduction of regional economic disparity, was clearly set out in the Article V of the Act respecting the creation of the department. This aim was: "economic expansion and social adjustment in areas requiring special measures to improve opportunities for productive employment and access to those opportunities." Basing one's observations on the available information supplied by D.R.E.E., many other government departments and various reputable bodies and agencies, one can question how successful D.R.E.E.'s programs have been in reducing the regional economic disparity experienced by Newfoundland.

Even though D.R.E.E. has committed a total of \$173,534,894 to Newfoundland during the 1969 to January 1973 period, Newfoundland's economy still remains depressed by national standards. Low per capita personal incomes and high unemployment rates are the chief indicators of this depressed state. Newfoundland's per capita personal income, calculated as a percentage of the national average, has experienced only a 5% increase during the period of D.R.E.E. activity when it rose from 56% in 1969 to 61% in 1971.<sup>1</sup> However, this 5% increase is not particularly significant when compared with a 4% increase that occurred



during a corresponding time period, 1958 to 1961--a time of substantially less federal aid to provinces in an attempt to alleviate regional economic disparity.<sup>2</sup> The Atlantic Adjustment Grant, the major federal instrument in this earlier period (1958-1961) contributed \$30 million to the Newfoundland treasury, an amount far smaller than the more recent D.R.E.E. commitment.<sup>3</sup> Thus, a federal outlay of 30 million dollars, contributed directly to the province for its own current expenditure over a four year period (1958-1961) was associated with a 4% per capita increase in personal income, calculated as a percentage of the national average. Over a corresponding time period (1969-1972), D.R.E.E.'s additional investment of over \$173 million has been associated with only a 5% per capita increase as calculated on the same basis.

Unemployment rates, however, are a more appropriate indicator of D.R.E.E.'s limited role in reducing Newfoundland's regional economic disparity. Newfoundland's annual average unemployment rate has increased steadily during the 1969 to 1972 period, as it rose from 10.3% in 1969 to 12.3% in 1972.<sup>4</sup> On the other hand, Newfoundland's unemployment rate, calculated as a percentage of the national average unemployment rate, decreased 26%, as it fell from 219% to 195% within the 1969 to 1972 period.<sup>5</sup> But this decline of 26% is not particularly significant when compared to the 71% decrease that occurred during the Pearson Era, 1963-1968, when a number of new programs such as A.R.D.A., A.D.A., and A.D.B. were introduced to deal with regional disparity.<sup>6</sup> The amounts committed to Newfoundland under these programs, as based on the data set out in this thesis, totaled \$119,955,187<sup>7</sup> million, an amount much less than the D.R.E.E. commitment to date of over \$173 million.

It seems reasonable to conclude, therefore, that no strong remedial effect can be directly attributed to D.R.E.E. programs in Newfoundland. It has been pointed out on many occasions for example, that federal efforts under D.R.E.E. were in obvious conflict with other federal monetary and fiscal programs designed to contain inflation, and which had a substantial depressing effect on regional incomes, investment and employment levels. The principal positive consequence of the D.R.E.E. programs was thus to cushion the harsh impact of federal economic policy in general, and thus to prevent a disastrous decline in provincial income investment and employment levels.

By the month of January, 1973, Newfoundland's actual monthly unemployment rate reached 18.0%.<sup>8</sup> Mr. James McGrath, St. John's East, PC member of parliament, termed this a "disastrous situation." He attempted to introduce an emergency motion in the House of Commons that would have instructed the prime minister to call an immediate conference with the Atlantic Provinces to find alternative economic opportunities for the region.<sup>9</sup> The major indicators of regional economic disparity leave little doubt that D.R.E.E. has not significantly achieved its aim in Newfoundland. In fact, Mr. McGrath has termed it a "colossal failure."<sup>10</sup>

It is not the claim of this thesis to attribute the continued critical state of the Newfoundland economy solely to a lack of D.R.E.E. activity. Obviously, national and international business cycles as well as the many other economic indicators must be considered when assessing the causes of the state of the Newfoundland economy. It is the contention of this thesis, however, that D.R.E.E. activity could have exerted a more beneficial influence on the Newfoundland economy than it did. The strategy

required would involve a de-emphasis of D.R.E.E.'s original urbanization approach and a recognition of Newfoundland's small business character. This recommended shift of emphasis would take note of the less metropolitan nature of Newfoundland in its application of its special areas program, and, more important, would exploit Newfoundland's potential for rural development. The Royal Commission on the Economic State and Prospects of Newfoundland and Labrador points to significant potential in fishery and agricultural development. It is our claim, in short, that unless D.R.E.E. recognizes the need of, and potential for, rural development in Newfoundland, it is unlikely that the province's economic disparity will ever be significantly reduced in a manner consistent with the intent as stated in Article V of the act respecting D.R.E.E.

D.R.E.E.'s role in reducing economic disparity will be analyzed in two sections. The first section will deal, in a general manner, with the effect of the urban-oriented approach in development. The second section, Chapter V, will deal in detail with the potential effectiveness of rural development in Newfoundland.

As was indicated in the previous chapter, the Regional Development Incentives Act has been the main instrument of the industrial incentives part of D.R.E.E. policy in Newfoundland. This act provided incentives in an attempt to encourage manufacturing and processing industries to locate or expand in Newfoundland. This program has met with little success in relieving the regional economic disparity experienced in Newfoundland. During the period 1969 to January 9, 1973, \$8,590,894 has been granted to assist sixty-two businesses and 1977 jobs have been created. Consequently, the average cost per job is \$4,345.42. This record of R.D.I.A. is far from

successful when one considers that in January, 1973, Newfoundland had the highest provincial unemployment rate in Canada and when 30,000 of its residents were without jobs.<sup>11</sup> Definitely more jobs are required.

A more tangible criticism of the record of R.D.I.A. is a comparison with the other provinces of net accepted offers of incentive grants by R.D.I.A. since its inception to May 31, 1972. These data are shown in the following table. It is clear that Newfoundland, the province most afflicted with regional economic disparity, and thus, requiring most assistance, ranked sixth in amount of offers per capita, to be followed by the more affluent provinces of Ontario, British Columbia, Alberta and Saskatchewan. When the per capita impact of R.D.I.A. incentives is examined, it is clear that they have achieved greatest benefit in Nova Scotia, New Brunswick and Quebec.

Province	Net Accepted Offers (Number)	Amount of Offered Incentives (thousand \$)	Amount of Offered Incentives Per Capita
Newfoundland	54	\$ 4,393	\$ 13.87
Prince Edward Island	28	2,186	19.35
Nova Scotia	95	36,500	45.91
New Brunswick	107	23,758	36.95
Quebec	867	122,618	20.23
Ontario	92	24,061	3.07
Manitoba	152	16,247	16.38
Saskatchewan	41	6,814	7.43
Alberta	40	19,952	12.05
British Columbia	29	3,605	1.60
TOTAL	1505	\$263,134	

The basic reason for the insignificant success of R.D.I.A. in Newfoundland is its limited application to Newfoundland's business structure. It is common knowledge that Newfoundland is largely a province of small business enterprises apart from several large fish plants, two paper mills, a future oil refinery, a few mines and the Stephenville linerboard mill.

R.D.I.A., however, did not interlock readily with Newfoundland's business character and only assisted large businesses with substantial capital requirements. Consequently, it was unable to create many jobs in Newfoundland via industrial incentives for business expansion. Mr. Jack Marshall, PC member of parliament for Newfoundland, agrees with this contention.

The Regional Development Incentives Act as it applies to Newfoundland is almost a lost cause, Mr. Speaker, because it completely misses its objective in so far as that province is concerned. . . . Another bad feature is that it fails to provide assistance to those who want to expand small industry through lack of capital. . . . The act should be flexible in order to give special consideration to those in regionally despaired areas who require more help than the industrial giants who will not come to Newfoundland when they can locate more centrally in Canada.<sup>13</sup>

The Atlantic Development Council, a government advisory body to D.R.E.E., also contends that the R.D.I.A. should interlock more readily with the business character of the Atlantic provinces. It recommends:

The Council believes that the expansion and increased productivity of existing firms in the Atlantic Provinces is crucial to the success of the development effort. Government attention should be directed not only to the establishment of new industries, but also to the requirements of existing businesses, in order to increase their potential for development.

The Council believes that existing firms in the Atlantic region can and should make a major contribution to the development effort and should be given effective financial and management help in solving problems which may hamper their efficiency or otherwise limit their potential.<sup>14</sup>

Recent establishment of the Newfoundland and Labrador Development Corporation, a federal-provincial crown corporation, is a second aspect of D.R.E.E.'s attempt to promote economic industrial expansion in Newfoundland. This corporation, even though it is much more attuned to Newfoundland's small business character than R.D.I.A., will not provide enough assistance to comply with Newfoundland's business needs. Mr. John Crosbie, Newfoundland Minister of Finance, has recently pointed to this deficiency:

There are a lot of small industries here which fall below the D.R.E.E. limits. They should be helped but it cannot be done by the development corporation or D.R.E.E. The government should provide guarantees for projects with capital costs less than \$60,000.<sup>15</sup>

Therefore, D.R.E.E.'s role in relieving Newfoundland's regional economic disparity via its strategy of industrial expansion, leaves much room for improvement. R.D.I.A. has had little effect and the corporation, though a significant improvement, still has shortcomings. More assistance in tune with Newfoundland's business character is required from D.R.E.E. In order for Newfoundland to achieve this type of consideration, changes need to be made in the implementation of D.R.E.E.'s industrial incentives program. More consultation with the provinces and a greater planning effort will be required. Mr. David Lewis, NDP national leader, points out the flaws of present D.R.E.E. activity and calls for changes in D.R.E.E.'s industrial strategy for the Atlantic region.

There is no planning in respect of the kind of industry the Atlantic provinces should have. There is no relationship in the grants given to the local needs of the community or the indigenous possibilities. . . . There is no attempt to integrate a plan of economic development in disadvantaged areas.<sup>16</sup>

Mr. Don Jamieson, the present Minister of Regional Economic Expansion, has finally admitted the need for a re-examination and an updating of the industrial incentives program. Furthermore, he has realized that federal-provincial co-operation and co-ordination is a required and essential element in devising a suitable industrial development strategy for the Atlantic region. He states:

We would get, in co-operation with the provinces, the capacity to seek out those people who have a communality of interest in terms of a variety of related industries, so that instead of simply seeking to put a particular plant in a particular location we would do a thorough analysis in that region of what, to use the vernacular of the trade, now are referred to as spin-offs or value added, or whatever, the case might be.<sup>17</sup>

The precise nature of Mr. Jamieson's reorganized incentives program has yet to be announced. It is hoped, however, that the minister's intention to achieve greater provincial participation will yield future incentive patterns that more effectively attack the causes of regional economic disparity. It is noted that at present no R.D.I.A. incentive grant can exceed the lesser of the following amounts: \$30,000 for each job directly created by the assisted operation, or one-half the capital to be employed in the operation. In order to have the desired effect in Newfoundland, this maximum eligible requirement may have to be decreased. And it is possible that completely different incentives may be needed to generate an increase in provincial manufacturing activity.

The second major element of D.R.E.E. strategy, namely infrastructure assistance, included the special areas program and highways. It was noted above that the infrastructure assistance program has had but limited success in Newfoundland to date. A total of \$130,881,000 has been committed,

under the Second Special Areas Agreement and the Special Highways Agreement. This amount represents 75% of the total D.R.E.E. expenditure in Newfoundland. The results include eleven roads within the special areas, seventeen new schools, twenty-four water and sewerage systems, fourteen land assembly projects for urban development, fifteen highway projects and several forest access roads.

The stated aim of federal infrastructure assistance is the formation of urban growth centres with levels of community services adequate to attract industry and thus create the required employment. Taken as a whole, the actual result of this costly program throughout the Atlantic region, and in Newfoundland particularly, has fallen short of its goals as based on the information made available by D.R.E.E. There can be little doubt that some urban centres in the Special Areas have received welcome injections of capital for needed public facilities; but unless an appropriate increase in employment accompanies infrastructure assistance in the growth centres, little real impact on economic disparity is achieved. In most cases the required jobs in Newfoundland's growth centres have not materialized. Thus the province and the assisted communities find it necessary to carry an increased budgetary burden due to the operating and maintenance costs associated with the added facilities.

It is not the purpose of this thesis to examine the many economic and budgetary aspects of the D.R.E.E. Special Areas Program. Our study of R.D.I.A. induced industrial locations or plant additions in Newfoundland, however, indicates that some 1977 new jobs were created since 1969. Only 63% or 1247 of these jobs were located in the eight Special Areas.<sup>18</sup>



It was pointed out earlier that the average incentive cost per R.D.I.A. job amounted to \$4345.42. It is therefore estimated that the total incentive cost of R.D.I.A. jobs in Special Areas amounted to \$5.418,376 million.<sup>19</sup> If this last amount is added to infrastructure assistance in the Special Areas (\$130.881 million) total D.R.E.E. assistance reaches more than \$136.29 million, or some \$109,301.83 per R.D.I.A. job in the Special Areas.<sup>20</sup> Even if one allows for the obvious short- and long-term benefits associated with such public service expenditure, and even if some allowance is made for non-R.D.I.A. induced employment in the Special Areas, the cost of infrastructure assistance in relation to its long-term employment benefits has been substantial.

The basic reason for this unsatisfactory result may be found in D.R.E.E.'s failure to develop an infrastructure assistance strategy consistent with the needs and potentialities of the Newfoundland economy. The Atlantic Provinces Economic Council (A.P.E.C.), a body composed of businessmen and academics, and perhaps best described as a type of pressure group representing the Atlantic region, claims that D.R.E.E.'s promotion of the growth centre approach in the Atlantic region is not consistent with the needs of the regional economy. The A.P.E.C. Sixth Annual Report contends that the Special Area concept of a growth centre as a single town or city may be too narrow, since no city in the Atlantic region is really large enough to offer the necessary agglomeration economy required for the success of the growth centre concept.<sup>21</sup> A.P.E.C. does, however, endorse a less highly urbanized concept of growth centres which takes the capabilities of the

region into account. It suggests extending the concept of the growth centre to embrace a network of towns. It notes that as transportation technology is rapidly changing, it may be feasible to consider a development corridor.

The integration of labour and market services in the centres and surrounding areas would ensure a larger, more diversified labour pool than any city or town in the district could provide on its own. . .

Transportation and communications networks would serve to foster development of the corridor as a simple economic unit consisting of towns with specialized functions.<sup>22</sup>

The report suggests that towns could plan their physical layout and zoning jointly, stressing the special facilities in keeping with the role of each centre in the corridor.

The A.P.E.C. criticism is relevant to the Special Areas program of Newfoundland. Four of the Newfoundland special areas, namely: Come By Chance, Happy Valley, Corner Brook and Hawke's Bay-Port aux Choix can be classed as single centres not large enough to take advantage of the agglomeration economies necessary for growth centres. In fact, these four areas have attracted a total of only 10% of total R.D.I.A. approved business in the special areas offers to date.<sup>23</sup> The other four special areas, namely St. John's, Burin, Stephenville, and Grand Falls-Gander, have attracted the remaining R.D.I.A. Special Area offers. St. John's, a place where D.R.E.E. has attempted to exploit a corridor concept similar to that suggested by A.P.E.C., is especially worthy of mention, as it has attracted 60% of the total R.D.I.A. Special Areas offers and these offers have produced 600 jobs.<sup>24</sup> Thus, on the evidence available thus far, it is

possible to criticize D.R.E.E.'s efforts in Newfoundland's Special Areas program. Clearly, little success in the form of attracting industry has resulted in the four single-centre areas and rather insignificant results have been obtained from the other special areas, except for St. John's, where some indication of the success of a development corridor type approach has been shown.

In order to bring into being this type of corridor development, several basic changes are required in D.R.E.E.'s implementation of the Special Areas program. A concerted effort will have to be made to attract industry to these special areas and the provinces must be permitted to have more influence in the formation of these programs.

The A.P.E.C. Sixth Annual Report also contends that there is no evidence to suggest that the Special Areas program is based on any coherent strategy for the industrial growth of the affected areas of the region. A.P.E.C. contends, in fact, that "neither federal nor provincial incentives programs attempt to influence industry to locate in the special areas."<sup>25</sup> It asserts that the only publically acknowledged attempts to stimulate growth occur in specific parts of the region, namely Metropolitan Area Growth Investments Ltd. for the Halifax-Dartmouth area in Nova Scotia, and the Multiplex Corporation for Saint John, New Brunswick. Thus A.P.E.C. concludes that there is a specific lack of any clear objective with respect to D.R.E.E.'s growth centre approach in the Atlantic Region.

A lack of specific objectives for a strong growth centre policy and a means of evaluating progress in achieving these objectives is conspicuously absent in this region.<sup>26</sup>

D.R.E.E.'s application of its current growth centre approach, which

A.P.E.C. believes can be beneficial only if administered in a manner consistent with regional needs, may have instead, a major detrimental consequence. In a word, A.P.E.C. fears that the lack of clear objectives inherent in the present growth centre approach may lead to a completely ineffective, unplanned approach to investment in costly public facilities.

The unfortunate result is that ideas such as growth centres are not developed in the context of the needs of this region and after a period of time they may fall out of fashion and be abandoned prematurely in favor of the old pork-barrelling, spread-the-wealth policy.<sup>27</sup>

Obviously, then, D.R.E.E. should make changes in its infrastructure assistance strategy, in order more adequately to provide for regional needs, if disparity is to be reduced in the Atlantic provinces. More specific objectives must be set, and more provincial consultation will be required in the formation of that strategy. At present, each province tends to submit shopping lists of infrastructure programs to the federal government. D.R.E.E. then decides on the approval or rejection of certain projects. Since the province usually recognizes its own individual needs and capacities much better than the federal government, D.R.E.E. should give the province more power in the decisions regarding projects.

Professor O'Connell of A.P.E.C. stressed the need for these two changes when he appeared before the House of Commons Committee on Regional Development.

I am looking around for something wherein there is a longer term assessment. There is going to be a continuity of interest on the part of the government and if we are to get balanced development so that the Atlantic provinces will develop in accordance with goals that are mutually determined; not goals

that are determined by any official body outside of the region by itself, logical and rational as they may be, they are not aware of Atlantic problems, as now, to a large degree this is happening.<sup>28</sup>

At the political level, criticism of D.R.E.E. is rampant. Mr. James McGrath, PC member of parliament for St. John's East, expresses the general frustration as follows:

We are frustrated because we are supposed to be witnessing the effects of a regional development policy and our efforts to get meaningful answers from the minister have failed. We are frustrated in our efforts to get the minister to address himself to the fact that despite the pumping of substantial sums of federal money under the regional development program into the four Atlantic provinces, the rate of unemployment continues to increase.

Meanwhile there has been criticism from the Atlantic Provinces Economic Council, the Canadian Chamber of Commerce and economists in the area. I can think of nobody across the country who has a kind word to say about the way in which the government is going about this program of trying to end regional disparity.<sup>28</sup>

Thus, the urbanization emphasis of the D.R.E.E. strategy in Newfoundland has had a limited effect because it has not applied itself significantly to the needs and capabilities of the province. More definite objectives, more specific means of carrying them out, and more provincial consultation are required for an improvement of this strategy, if it is ever to have any real effect in reducing Newfoundland's regional economic disparity.

The Atlantic Development Council, A.D.C., a government advisory body of D.R.E.E., has also criticized the activities of this department. Its basic criticism concerns the lack of clear objectives in D.R.E.E. strategy regarding the reduction of regional economic disparity in the Atlantic region. A.D.C. proposes a

strategy for the 1971-1981 period whereby D.R.E.E. can reduce significantly the regional economic disparity experienced by this region. It claims the unemployment rate can be reduced to 4.5 to 5%.<sup>30</sup> It states that, "the primary objective of D.R.E.E., over the next ten years, 1971-1981, must be to achieve adequate employment opportunities for the region's population and, at the same time, bring about the structural changes in the economy which will ensure for the future a high and self-sustaining level of activity."<sup>31</sup> Based on its estimates of the growth of population and labour force and employment targets, A.D.C. claims that it will be necessary to generate a total of 170,000 new jobs over the next ten years.<sup>32</sup> A.D.C. estimates that the total capital investment required to achieve the targets for its recommended development strategy is approximately \$25 billion in the 1971 to 1981 period.<sup>33</sup>

D.R.E.E. has, however, refused to accept these targets. The Honourable Jean Marchand, former minister of D.R.E.E. made this point emphatically during an address to A.D.C. on January 14, 1972:

It would be simple and probably popular to do so, but I cannot, in all honesty, commit my Department and my Government to these targets.<sup>34</sup>

Similarly, A.P.E.C. had criticized D.R.E.E. for a lack of objectives or targets in its Atlantic regional disparity alleviation strategy:

For its regional development program to be a success Ottawa must assure the provinces that D.R.E.E. is going to remain for at least ten years and the department will have certain stated sums of money available to it over the period. Governments are reluctant to make long-term commitments of this sort, but Ottawa has followed such a policy with the Department of National Defence.<sup>35</sup>

A.D.C. has also criticized the D.R.E.E. administrative structure for the planning of regional development. A.D.C. recommends that steps should be taken to permit the provincial governments of the Atlantic region, more consultation in D.R.E.E. programming.

The regional aspect of development planning is becoming increasingly pertinent. There is, however, at present, no formal vehicle whereby the provincial governments of a region as a group and the federal government can meet to discuss, plan and agree upon the needs of the region and the policies and programs required to meet them.

The Council suggests as a first step in this direction, the establishment of an annual or bi-annual conference between the Atlantic premiers, the Minister of Regional Economic Expansion and other appropriate representatives of both levels of government.<sup>36</sup>

Another telling indication that the federal government has failed to reduce the degree of economic disparity experienced in Newfoundland can be seen in the behaviour of equalization payments since the inception of D.R.E.E. Equalization payments are designed to raise the level of public services in less affluent provinces to that of the Canadian average. The formula on which they are based produces annual payments to provinces in direct ratio to their degree of economic disparity. Federal equalization payments to Newfoundland have increased rapidly since 1968.

1967-1968	\$65.2 million
1968-69	72.7 million
1969-70	86.0 million
1970-71	89.8 million <sup>37</sup>

The federal Employment Loans program can be viewed as yet another indication that D.R.E.E. is having problems in achieving its aim in

Newfoundland. This program has committed a total of \$30.7<sup>38</sup> million to Newfoundland in an attempt to stimulate winter employment. Certainly one may wonder why the federal authorities have found it necessary to pledge this extra amount after they had already committed nearly \$160 million through the D.R.E.E. urbanization approach under industrial incentives and infrastructure assistance programs. This, together with the widespread use of L.I.P. and other federal aid programs, is a further indication that its urban-oriented program has had a limited effect in this province.

From all the available evidence it seems reasonable to conclude that federal policies designed to reduce economic disparity in Newfoundland have thus far failed to achieve their stipulated goals, that is economic expansion and social adjustment. The reason for this failure, in our view, can be traced to defective program strategies which have failed to reflect provincial needs and capabilities. It is felt that further policy experimentation should focus on rural development potential.



## CHAPTER V

### D.R.E.E. IN NEWFOUNDLAND

#### AN ANALYSIS: PART II

#### RURAL DEVELOPMENT APPROACH

To more effectively reduce regional economic disparity in Newfoundland, D.R.E.E. must take more notice of the provincial character and it must channel a higher percentage of its funds into rural development. To date only a miniscule 9% of the total D.R.E.E. expenditure has been allocated to rural development as compared to the 91% spent on the urbanization strategy.<sup>1</sup> In the rural development sector, for instance, only four segments have been signed totalling \$14.063 million, including, the Second Resettlement Agreement, the Minerals Agreement, the Third A.R.D.A. Agreement, and the Land Surveying-Mapping Agreement.<sup>2</sup> Indeed, this is not a very impressive record, compared with the over \$159 million amount expended on the industrial incentives and infrastructure assistance programs.<sup>3</sup> Of the \$14.063 million committed to rural development, the major portion, \$6.9 million or 49% of the total, was spent on resettlement<sup>4</sup>-- an attempt to induce people to move from rural areas to urban growth centres. The Resettlement Programs has had limited success. According to a provincial survey of individual family welfare incidence before and after resettlement undertaken by Mr. Ken M.

Harnum, Director of Resettlement, only a 4.8% decrease in short term welfare incidence has been recorded during the 1968 to 1970 period.<sup>5</sup> Furthermore, Mr. Don Jamieson, Minister of D.R.E.E., recently announced changes in the resettlement strategy. Fishermen may now be granted assistance to relocate in central fishing harbours where co-operative use of fishery facilities may be utilized. The previous policy required fishermen to relocate in the designated urban growth centres and special areas far removed from their fishing grounds.<sup>6</sup> This change in policy can be taken as a partial indication of the lack of success of the previous resettlement program.

The \$2.698 million, or 20% of D.R.E.E. rural development commitment, expended on mineral research and exploration,<sup>7</sup> though partially beneficial, can be considered inadequate when compared with the mining potential of Newfoundland. The Royal Commission on the Economic State and Prospects of Newfoundland concluded that Newfoundland enjoys good prospects for mineral development. It contends that the Province seems quite rich in mineral resources, and that long run demand forecasts appear promising.<sup>8</sup> Moreover, it states that Newfoundland enjoys a stability of government as part of Canada that provides for a good investment climate. It also mentions the fact that transportation, communications and other forms of social capital infrastructure are no longer the bottleneck to development on the Island that they once were.<sup>9</sup> But the Royal Commission states that unless there is high priority given to a plan of geological surveying and mineral prospecting, this resource potential may not be realized.<sup>10</sup> The Commission cites Mr. Arthur Lewis, an expert on

development planning:

With few exceptions, the fastest growing underdeveloped countries are those which have discovered rich deposits of minerals such as iron ore, bauxite, tin, copper or oil. A Development Plan should give the highest priority to geological survey and mineral prospecting. Yet, rather oddly, geological departments tend to be the most poorly staffed in the public service.<sup>11</sup>

The Commission concludes that Lewis's statement is very pertinent to the situation in Newfoundland, and recommends that greater effort must be expended in mineral research.<sup>12</sup> Thus, D.R.E.E. should expand its activities in the mineral exploration field if it hopes to alleviate regional economic disparity.

D.R.E.E. has spent only \$3.965 million, or 29% of its rural development commitment, on land surveying and mapping.<sup>13</sup> The Royal Commission on the Economic State and Prospects of Newfoundland states that there is an urgent need for land surveying in this province. It claims that the lack of land surveying has greatly impeded individual initiative in agricultural expansion by posing difficulties in the obtaining of farm credit.

The fact that the individual farmer has difficulty in establishing legal ownership, because no recognized land surveys have been made in his particular area, limits the chance of obtaining credit for farm improvement due to the fact that adequate collateral cannot be provided. Right of tenure is often based on long occupancy and while no argument could arise as to actual ownership, nevertheless the legality of ownership has not been properly established by registered deed.<sup>14</sup>

On the basis of the above observations of the Royal Commission, one questions the adequacy of the investment D.R.E.E. has made in land mapping and surveying in Newfoundland.

The most insignificant portion of D.R.E.E.'s rural development

funds are the 2% or \$0.5 million, it has expended on two A.R.D.A. projects--the Argentinia Task Force and the Port aux Basques water supply.<sup>15</sup> This minute expenditure is the most outstanding example of D.R.E.E.'s negligence with respect to the substantial rural development potential that could be exploited through A.R.D.A. projects.

D.R.E.E.'s utilization of the A.R.D.A. program in alleviating regional economic disparity in Newfoundland can only be termed highly unsatisfactory. The Third A.R.D.A. Agreement is plagued with weaknesses that make it quite ineffective in promoting rural development in Newfoundland. Mr. Peter Van Es, former Deputy Minister of the Newfoundland Department of Community and Social Development, contends that the Third A.R.D.A. Agreement is too general to deal with the specific rural potential of Newfoundland.

This agreement is a national agreement that tries to encompass all general Canadian rural development situations. This makes it ineffective in dealing with Newfoundland's particular rural development potential.<sup>16</sup>

Mr. Fred Evans, Executive Director of the Rural Development Authority, further criticizes the role of A.R.D.A. in Newfoundland by claiming that the planning approach of A.R.D.A. is ineffective. He contends that A.R.D.A. forces a province to "tailor its problem to the solution proposed by A.R.D.A., if a province is ever to receive any funds."<sup>17</sup> He states that this process "is not an effective means to promote rural development as more effective results can be achieved if the reverse situation occurs--that is, the solution is tailored to the problem."<sup>18</sup> Furthermore, Mr. Evans states that the Third A.R.D.A. Agreement is very ineffective because it allows very little

provincial participation and authority in the decision-making aspects of the A.R.D.A. program.<sup>19</sup> The Third A.R.D.A. Agreement provides for two joint committees to plan and administer the program, but the federal government makes the final decision as to the acceptance or rejection of any individual project. Mr. Evans contends that A.R.D.A. could improve its efforts in alleviating regional economic disparity, if it permitted the province more decision-making authority in this field, as it is the province, and not the federal bureaucracy, that is attuned to provincial development potential.<sup>20</sup> He claims that this type of provincial planning could be credited as the main factor in the successful results of the provincial-planned Eastport and Fogo programs, accruing from the Second A.R.D.A. Agreement.<sup>21</sup> D.R.E.E. and the federal government expended \$278,750 under the Second A.R.D.A. Agreement during the 1965 to 1970 period.<sup>22</sup> The major portion of this amount, \$250,000, was provided under Section 30 of the Second Agreement--a provision enabling the province a free hand in rural development planning.<sup>23</sup> Mr. Evans claims that it is only through this type of planning that A.R.D.A. could achieve further beneficial results.<sup>24</sup> As the Third A.R.D.A. Agreement omits Section 30, he sees little hope for A.R.D.A. as a force in promoting rural development in Newfoundland, and thereby alleviating its experience with regional economic disparity.<sup>25</sup>

Thus, D.R.E.E.'s achievements in relieving the regional economic disparity through exploitation of Newfoundland's rural resource potential have been very limited to date. Our contention is that D.R.E.E. can achieve more substantial results in this field if

it concentrates more of its efforts and channels a larger portion of its funds into rural development. It is our claim that D.R.E.E. can achieve some success in alleviating regional economic disparity by the concentration of efforts on such fishery and agricultural resource adjustment projects as possible under the A.R.D.A. programs. The recommendations of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador, augmented by comments from current researchers and government workers in the field, will be cited as general evidence of the feasibility of rural development through the exploitation of Newfoundland's fishery and agricultural potential. The Eastport and Fogo Rural Development programs will be mentioned as specific detailed evidence of the success that such programs can produce in Newfoundland. Finally, the activities of Newfoundland Rural Development Authority will be mentioned as yet another indication of the success possible from the exploitation of Newfoundland's rural resources.

The Royal Commission on the Economic State and Prospects of Newfoundland and Labrador retained Dr. E. E. D. Day of the Department of Geography at Memorial University to review the general state and prospects of the fishing industry in Newfoundland. The Day Report recommended that the fishery could be more effectively exploited as a means of enabling many Newfoundlanders to earn a more adequate income. While little hope remains for the inshore fishery, the claim is that substantial opportunities lie in store for the offshore fishery. The inshore fishery, in a state of decline, recorded substantially decreasing yields from 1956 to 1966; in 1966 the volume of landings

was 169,971 metric tons as compared with 228,388 metric tons in 1956.<sup>26</sup> This decrease occurred despite a rise in the number of inshore fishermen from 13,662 in 1956 to 19,324 in 1966 and a considerable increase in investment--a grave situation indeed.<sup>27</sup>

The offshore fishery, on the other hand, has been very successful. The Day Report points out that the offshore fishery accounts for the increased fish landings in Newfoundland. It contends that without the offshore fishery, the volume of present Newfoundland fish landings would be considerably below the present level, and the industry would still be overwhelmingly dependent on the low value cod. A more significant indication of the difference in the relative merits of these two types of fishery methods may be seen from a comparison of the per capita income of the fishermen. In 1966, the offshore fisherman's annual net earned fishing income ranged from \$3684 and \$4237.<sup>28</sup> This figure contrasted sharply with \$678 for the inshore fisherman.<sup>29</sup> Average landings per offshore fisherman in 1966 were about 298,668 pounds per man-year, seven times that of the 42,711 pounds landed by the inshore fisherman.<sup>30</sup>

The Day Report recognized four classes of fish; groundfish, pelagic, shellfish and other species, in assessing the resource and market potential for Newfoundland's fishing industry. In 1966 groundfish amounted to 84% of the total fish landings by weight and 79% by values.<sup>31</sup> Cod was still the most important fish. However, in absolute and relative terms it has declined in importance during the last decade even though the total cod catch by other countries fishing the Northwest Atlantic has increased tremendously. The Day

Report claimed that the decline of the Newfoundland catch in the Northwest Atlantic cod fishery must be traced to the continued dependence on inshore cod fishing.<sup>32</sup> Unless offshore cod fishing is significantly expanded, it seems virtually certain that the Newfoundland catch will decrease still further.<sup>33</sup>

Mr. Eric Dunne, Chief of the Economics and Intelligence Branch, of the Fisheries and Marine Service Division of the federal Department of the Environment verified this statement that the Newfoundland cod catch has declined considerably during the 1966 to 1972 period as it fell from 344.5 to 214.2 million pounds.<sup>34</sup> He attributes this decline chiefly to the "offshore trawler fishery operated by the large processing companies, who haven't exploited the total cod potential, because their main interest was in other groundfish species."<sup>35</sup> Mr. Dunne, does, however, claim that "there is a significant cod potential, that can be exploited by the offshore fishery."<sup>36</sup>

The Day Report stated that prospects for the haddock fishery are very poor because of low recruitment to adult stock and because of the intensity of the past fishing effort.<sup>37</sup> Although the Day Report recommended that the redfish catch could have been increased substantially,<sup>38</sup> Mr. Dunne states that presently this catch could be increased only if the vessels switched their fishing effort from the Gulf of St. Lawrence to more northern areas of Newfoundland.<sup>39</sup> The redfish catch has decreased from 76 to 62 million pounds during the 1966 to 1972 period in the Gulf area and is expected to decline even further in the future.<sup>40</sup> Furthermore, the Day Report recommended that the turbot, flounder, greysole, halibut, wolfish, white hake,



pollock, and skate fishery all had great potential for future expansion.<sup>41</sup> Mr. Dunne contends that while the report's recommendations regarding turbot, halibut, wolffish, white hake, pollock and skate remain valid, the recommendation regarding flounder is invalid at present. The Newfoundland flounder catch decreased during the 1970 to 1972 period, as it dropped from 204.7 to 178 million pounds.<sup>42</sup> Furthermore, quotas have been placed on the 1973 catches of the plaice and yellow-tail flounder in certain areas of the North West Atlantic.<sup>43</sup>

Another recommendation of the Day Report was the expected expansion in volume and value of groundfish landings by 1975. The report states: "If present trends continue, by 1975 the volume of groundfish going to fresh and frozen production should approach 385,000 metric tons."<sup>44</sup> Mr. Dunne states that he doesn't foresee the realization of the above goal by 1975 as total groundfish landings decreased from 572 to 481 million pounds during the 1966 to 1972 period,<sup>45</sup> but he is emphatic in his agreement with the report concerning "potential of increased groundfish landings from the increased exploitation of such species as cod, halibut, wolffish, white hake, pollock and skate."<sup>46</sup>

The Day Report further recommended that probably the greatest potential for the Newfoundland fishing industry lay in the large scale development of an "industrial" fishery based on herring, capelin and non-food fish items such as sand eel.<sup>47</sup> The prediction regarding the herring fishery has not been fulfilled. The Newfoundland herring catch has decreased steadily throughout the 1969 to 1972 period as it declined from 369.4 to 142 million pounds in 1972.<sup>48</sup> Furthermore,

quotas have been imposed on the 1972-1973 purse seine catches in the south west coast of Newfoundland, and on the Fortune, Placentia and St. Mary's Bays.<sup>49</sup> However, Mr. Dunne, states that the present herring situation need not preclude the possibility of future greater herring exploitation and he claims that the strong demand for human consumption persists.<sup>50</sup>

Mr. Dunne contends that possibly capelin, another part of Newfoundland's fishery resource potential, could be exploited to a greater extent than the report suggested. To date the capelin resource has not been fully exploited. In the summer of 1972, Mr. Dunne stated that the federal government chartered a ship to experiment with capelin potential. This ship caught 4.5 metric tons within a short period and Mr. Dunne claims that this is evidence of a significant potential.<sup>51</sup> Furthermore, he states that capelin have "great potential in meal."<sup>52</sup> Moreover, biological experts estimate that capelin could support a catch of at least 100,000-200,000 metric tons without any effect on the inshore cod-fishery.<sup>53</sup>

The Day Report recommended that another improvement in the exploitation of Newfoundland's potential fish stocks could take place in the area of shellfish. It stated that there was little hope for the further exploitation of lobster and squid, the most important of the shellfish at present.<sup>54</sup> Mr. Dunne claims that there is significant potential for squid as its landings rose from 2000 pounds in 1968 to 35 million pounds in 1971.<sup>55</sup> He also states that squid may have some potential for human consumption.<sup>56</sup> Furthermore, he and the Day Report contend there is potential for

increasing the scallop catch and exploiting the substantial stock of mussel, shrimp and crab in Newfoundland's coastal regions.<sup>57</sup>

The Day Report and Mr. Dunne state that there are many other fish stocks in the Northwest Atlantic of commercially exploitable size, four of which deserve some mention. The Newfoundland spiny dogfish catch, though smallest at present, may be landed in substantial amounts from the south and east coast areas.<sup>58</sup> Porbeagle, found in great amounts in the Northwest Atlantic, could be caught by the Newfoundland fishermen and marketed in Italy.<sup>59</sup> The eel fishery could be developed with the aid of modern fishing technology, and with attention to European markets.<sup>60</sup> Mr. Dunne foresees a possible slight increase in the salmon fishery potential in the future. At present, drift netting is banned on the west coast of Newfoundland for the 1972 to 1977 period, and a licence limitation exists with respect to gill netting.<sup>61</sup> However, the salmon catch declined only .9 million pounds during the 1967 to 1972 period--"a slight decrease compared to the rest of Eastern Canada" states Mr. Dunne.<sup>62</sup>

In conclusion, both the Day Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador and Mr. Dunne concur that there is a significant growth potential in the Newfoundland fishing industry and that there must be a shift in emphasis from in-shore to offshore fishing. A change in the concentration of the types of fish caught will also have to occur. A swing away from flounder to cod and other groundfish, an emphasis on the capelin potential, a utilization of the other shellfish species, and the exploitation of other types of fish such as the spiny dogfish, the porbeagle, and the

eel are all necessary if Newfoundland is to alter its experience with regional economic disparity by exploiting its fishery potential.

Since the agricultural potential of Newfoundland has not been fully developed and promoted, it is conceivable that D.R.E.E. could exploit this potential in its efforts to lessen Newfoundland's experience with regional economic disparity.

The Royal Commission on the Economic State and Prospects of Newfoundland and Labrador commissioned the Economics Branch, Federal Department of Agriculture, to examine the economic state and prospects of agriculture in this province. Their report frequently referred to the 1955 Royal Commission Report on Agriculture--a reputable document regarding the agricultural potential of Newfoundland. The report prepared for the Royal Commission on the Economic State and Prospects of Newfoundland stressed Newfoundland's agricultural potential and recommended means by which it may be exploited.

The agricultural potential of Newfoundland, in their view, could be better exploited in two broad categories--crop production and livestock and livestock products. Significant potential exists in the area of crop production. Hay, potatoes, turnips and cabbage account for the bulk of Newfoundland's crop acreage. These three crops supply the major portion of provincial consumption in these vegetable areas.<sup>63</sup> However, the Island has considerable, unrealized potential for many other crops. Blueberries are one such crop. Newfoundland exports about 2,000,000 pounds of blueberries annually and an undetermined amount is also harvested for local consumption.<sup>64</sup> It is estimated that a crop of 10,000,000 pounds could be produced as the uniformity

of the berries' colour, size and flavour, together with the absence of blueberry maggot, give the Island a natural advantage in producing this fruit.<sup>65</sup> There is also a potential for strawberries, greenhouse and nursery crops, and for some fresh vegetables, such as lettuce, beets and carrots.<sup>66</sup> The report claimed consideration should also be given to the production and processing (canning and freezing) of peas, beans, cauliflower, broccoli and brussel sprouts for local consumption.<sup>67</sup> The report recommends that orderly marketing is shown to be a necessary and very desirable objective to which the agricultural industry and its components should aim.

This report stated that Newfoundland also shows substantial potential for the development of livestock and livestock products. This is particularly true in the case of hogs, sheep and poultry.<sup>68</sup> Hog production in Newfoundland is based on imported feed and is predicated on assistance such as that currently provided under the feed freight assistance program. "Presently the provincial government subsidizes the hog producers in Newfoundland at the rate of the Toronto price plus two cents per pound in order to take into consideration the shipping costs from Toronto to St. John's," states Mr. Russ Traverse, Director of Extension, Agricultural Branch, Newfoundland Department of Agriculture and Forestry.<sup>69</sup> Furthermore, the provincial government provides a hog nursery and an abattoir in St. John's. Mr. Traverse contends that "this hog nursery may be especially valuable to Newfoundland, as its experimentation program in disease-free stock may place Newfoundland hog producers in a competitive position on the export market, besides supply domestic hog needs."<sup>70</sup> These

advantages "could induce considerable expansion in the hog enterprise,"<sup>71</sup> states Mr. Traverse.

The Royal Commission and Mr. Traverse recommend that sheep raising is probably the most viable of potential livestock development. Sheep are raised in considerable numbers on the Island. While production faces the hazards of parasites, predators and perhaps a low level of management, it also possesses certain advantages. These include freedom from municipal taxes and fencing requirements combined with extensive barrens which provide sparse but low-cost grazing grounds and which suggest the feasibility of range type operations. The report concluded "It would appear that sections of Newfoundland offer greater opportunity for sheep production than many other areas of Canada."<sup>72</sup> Mr. Traverse states that this recommendation is presently still valid.<sup>73</sup> The Royal Commission Report also recommended an increase in broiler production as a means of exploiting Newfoundland's poultry potential.<sup>74</sup> Mr. Traverse claims that this recommendation will soon be brought to fruition through the expansion of processing facilities on the West Coast which will enable Newfoundland broiler producers to supply a larger portion of the Newfoundland market.<sup>75</sup> Finally the report recommended that there is a considerable potential for developing agricultural and farm woodlot operations. "Improved road facilities make transportation of the pulpwood from formerly isolated areas to existing mill sites a more viable enterprise; furthermore there is no lack of demand for this commodity in Newfoundland and other provinces have demonstrated the advantages of combining the two operations."<sup>76</sup>

The report concluded that although the potential of agriculture

is small in relation to the total economy of Newfoundland and Labrador, there are underdeveloped resources and there are levels of productivity and income that may be substantially improved.<sup>77</sup> Moreover, there is an excellent domestic market for what can be produced.<sup>78</sup>

Dr. Douglas MacDonald, Director of Natural Resource Planning in Newfoundland, contends that it is possible that this report may have slightly underestimated Newfoundland's agricultural potential. He states that there are some fairly fertile areas inland, enroute of the Trans Canada Highway, that have not been exploited as yet, and he mentions the possibility of the production of such crops as strawberries and raspberries which ripen later in Newfoundland than elsewhere, and which could find an easy market because of their delayed maturation.<sup>79</sup>

Mr. Russ Traverse agrees with the contention of Dr. MacDonald. He claims "The agriculture picture looks better now than in 1967, because of better prices to the producer."<sup>80</sup>

Thus, Newfoundland definitely possesses a potential for rural development in the areas of agriculture and the fishery. Certainly D.R.E.E. should seek to exploit this potential in its attempts to alleviate regional economic disparity.

It is our contention that the Eastport and Fogo rural development programs, the two main areas of emphasis under the Second A.R.D.A. Agreement, do provide a clear indication that D.R.E.E. can alleviate regional economic disparity in Newfoundland through the exploitation of its rural potential.

The Eastport program has been the main force in improving the livelihood of the residents of the Eastport Peninsula. This area was

in dire need of economic development in the 1960's. The population had declined 6% in the previous five years,<sup>81</sup> welfare incidence was fairly high,<sup>82</sup> the annual unemployment rate was 15%,<sup>83</sup> and the total community work force utilization was only 65%.<sup>84</sup> Worse still, one-quarter of the actual labour force was engaged in such seasonal occupations as fishing or agriculture,<sup>85</sup> and a significant portion of the remaining labour force was forced to commute to outside areas so that it might find work.<sup>86</sup> A more accurate indicator of the critical situation experienced by the people of this area was the income derived from primary resource occupations. During the 1963 to 1968 period, the annual average income per fisherman ranged from \$502.46 to \$773.30.<sup>87</sup> The annual average gross farming income ranged from \$2,000 to \$3,500 while the net income varied between \$1,000 to \$1,500.<sup>88</sup> Indeed, the Eastport Peninsula faced a critical situation in the 1960's.

Although the Eastport area residents repeatedly demanded development aid from government since 1962, their requests were largely unheeded. Then in September, 1967, an Eastport delegation met with some A.R.D.A. officials to discuss the situation. Shortly afterwards, the seven communities on the Eastport Peninsula banded together to form the Eastport Committee for the Development of Progress, a local organization aimed at "promoting the development of our natural and social resources with the hope of improving the income and employment opportunities of the area."<sup>89</sup> This committee, in conjunction with the Rural Development Division of the Department of Community and Social Development, devised a self-help development program for the Eastport Peninsula.<sup>90</sup> A.R.D.A. funded the major part of this program as it



fulfilled the necessary A.R.D.A. criteria. After the expiration of the Second A.R.D.A. Agreement in March 1970, the Newfoundland Department of Community and Social Development helped continue this development program by providing the Eastport Committee for the Development of Progress with the necessary funds to hire a local worker.

This Eastport development program, unlike the general approach of D.R.E.E. to Newfoundland, took into account the special capabilities of the area and included direct public participation in its planning and implementation. The Eastport program consisted of thirty-three projects that were designed to exploit the three chief resources of the area--agriculture, the fishery, and hopefully, tourism. This program heeded the recommendations of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador when designing its projects. Greenhouse production of tomatoes, strawberry and blueberry development, and bogland carrot production were all attempted. Furthermore, a community lobster pool was built and an Eastport Festival was initiated to encourage tourism in the area.

The total direct cost during the period January 1968 to June 1972, of the Eastport program was \$99,955.98.<sup>91</sup> This is miniscule when compared with D.R.E.E.'s expenditure in Newfoundland of over \$173 million during a similar period. A.R.D.A. provided the major portion, \$82,962.65, of the development cost.<sup>92</sup> The remaining \$16,993.33 was obtained from the local worker fund of the Department of Community and Social Development.<sup>93</sup> This department assigned no development worker to the area to implement this program. Instead, the Central Committee for the Development of Progress was given the

responsibility for the administration of the program.

The development cost was largely expended in conjunction with the resource potentialities of the Eastport area during the period January 1968 to June 1972. The local worker was paid \$30,993.33 during this period.<sup>94</sup> A total of \$4,323.51 was invested in four fishery resource adjustment projects. The cost per fishery development project was as follows: lobster holding and selling centre--\$2,173.51; two smokehouses--\$150.00; and a salt fish shed--\$2,000.00.<sup>95</sup>

The eighteen agricultural resource adjustment projects amounted to a total cost of \$19,897.19.<sup>96</sup> The cost per project was as follows: seven greenhouse developments--\$11,000.00; four strawberry developments--\$2,400.00; a vegetable marketing centre--\$3,000.00; a community bogland--garden crop development--\$240.11; a winter greenhouse culture--\$368.11; a revolving fund for the operation of a market centre--\$500.00; materials for the bulk marketing of greenhouse crops--\$238.61; a small farm pond and pilot project--\$45.00; and a blueberry development--\$729.80.<sup>97</sup>

The total cost of the eight tourism adjustment projects was \$45,516.75.<sup>98</sup> The cost per individual project was as follows: beach development (Eastport)--\$1,600.00; beach development (Happy Adventure)--\$1,400.00; concession booth--\$4,100.00; general tourist information program--\$681.75; Salvage museum development--\$435.00; pleasure craft launching ramp--\$300.00; and, finally, the Eastport Festival--\$37,000.00.<sup>99</sup>

It should be noted that the amounts in all the above resource adjustment projects refer only to the cost of materials. The labour was provided by citizens of the area, free of charge.<sup>100</sup> It was only

in the case of the Eastport Festival that \$8,000 was paid for salaries.<sup>101</sup>

The overall per capita cost of the Eastport development program was only \$56.90.<sup>102</sup> This is substantially less than the \$249.44 expended by D.R.E.E. in Newfoundland during the 1969-70 to 1971-72 period.<sup>103</sup>

The benefits of this program substantially outweighed the costs. The Eastport area changed from a rather depressed rural community to a thriving rural centre. The population of the Eastport peninsula rose 4.5% during the 1966 to 1971 period.<sup>104</sup> This contrasts sharply with the 6% decrease experienced in the five year period prior to these efforts towards community development.<sup>105</sup> At least thirty-five families of native Eastporters have returned to settle in the area, after living in other parts of Canada and Newfoundland.<sup>106</sup> The unemployment rate and utilization of the total potential community work force remained largely the same.<sup>107</sup> Welfare payments have decreased substantially. The short term assistance caseload declined to 4.5% from November 1969 to November 1971, while the long term assistance caseload fell 37% from August 1969 to August 1972.<sup>108</sup> Talk of resettlement was unheard of in the summer of 1972.<sup>109</sup> Other government expenditures and public works may have been prompted by the development program. The Provincial Department of Highways has spent \$1,095,121.00 on the paving and up-grading of roads on the Eastport peninsula during the 1970-72 period.<sup>110</sup> The Integrated Eastport Area School Board has spent \$555,000.00 on the building of a new elementary and a new high school since 1968.<sup>111</sup> The Newfoundland Fisheries Development Authority has spent \$57,200 on the construction

of two slipways in 1972.<sup>112</sup> Three Local Initiatives Programs (L.I.P.), totalling \$64,191.72,<sup>113</sup> were approved in 1972--a firehall, a vegetable storehouse, and a picnic area. Three more were approved in 1973--hiking trails, a lobster cooking area, and the completion of the Sandringham vegetable storehouse. The total expenditure of these bodies was \$1,771,512.22<sup>114</sup>--an amount which has contributed substantially to the maintenance of high income and employment levels. Most important of all, perhaps, the attitudes of the people of the area have changed. They now have a tremendous sense of pride and confidence in their community. Fifty-one new homes have been built and numerous houses have been painted giving the whole area an aura of prosperity.<sup>115</sup>

Benefits have also occurred in the three resource areas--fishery, agriculture, and tourism. The four fishery resource adjustment projects have had a noticeable effect in increasing the income of the fishermen in the Eastport area. The annual average fisherman's income of the Eastport Peninsula has almost doubled during the 1967 to 1971 period, as it rose from \$649.25 to \$1186.44.<sup>116</sup> Considerable benefits have accrued from the lobster pool, designed to sell local lobster to tourists. This pool acted as a catalyst to raise the price of lobster from \$0.65 per pound in 1968 to \$1.30 per pound in 1972. Mr. William Turner, lobster pool manager, explained this situation:

When the pool began it paid \$0.80 a pound and the merchant paid \$0.65. Then the next year the merchant was forced to pay \$0.80 a pound in order to get any lobster. The pool, meanwhile, raised its price to \$1.00. This process continued until 1972, when the merchant paid \$1.25 and the pool \$1.30.<sup>117</sup>

On the basis of the above information, and the lobster landings for the area as supplied by the Federal Department of Fisheries, it can be calculated that the pool has increased the income of the lobster fishermen on the Eastport peninsula by at least \$18,660.00 since it came into operation in 1968.<sup>118</sup> This result is very remarkable indeed, when one realizes that this benefit represents an 890% gross return over the initial investment cost of the pool of \$2,173.51.<sup>119</sup> The lobster pool also added \$3,000.00 to the economy of the Eastport area through the hiring of a manager for the total period of operation.<sup>120</sup>

The results accruing from the other fishery adjustment projects have not been as spectacular. The only use of the fish holding shed was for the drying of 300 quintals of fish in 1971.<sup>121</sup> The poor cod catch of the area has inhibited further utilization. Similarly, the anticipated potential of the two smokehouses has not been fully exploited. One smokehouse only processed 200 pounds of salmon in 1969, while the other one had marketed a total of 800 pounds since 1969, accounting for a total sale of 1000 pounds.<sup>122</sup> Since smoked salmon sold for \$1.50 per pound, this production added \$1,500 to the economy of the Eastport area during the 1969 to 1972 period.

Therefore, the fishery resource adjustment projects have been of great benefit to the Eastport area to date. The lobster pool and the smokehouses have added at least \$23,160 to the income of the Eastport peninsula fishermen. This \$23,160 added income represents a 468% return on the \$4,323.51 initial investment in fishery resource adjustment.<sup>123</sup>

Numerous beneficial results have accrued directly from the

agricultural section of the Eastport area development program. Many of the eighteen agricultural projects have had a noticeable upgrading effect upon the incomes of the Eastport area farmers. The main emphasis of the agricultural strategy centred on the construction of seven greenhouses for tomato culture. Total linear footage of greenhouse expansion has increased by 112%,<sup>124</sup> and the total number of plants has risen by 58%, since the inception of the program in 1968.<sup>125</sup> An accurate estimate of the increase in output is unavailable, due to lack of reliable data, but one of the operators has experienced an increase of 9,000 pounds during the 1969 to 1972 period.<sup>126</sup> This can be taken as an indication of the general increase of tomato production in the area. But the resultant effect of the greenhouse operation on farming income is most difficult to ascertain; however, it is obvious that an increase has occurred. All the greenhouse operators show some record of added income. New vehicles have been purchased, homes have been renovated, and farm buildings have been erected.<sup>127</sup> An approximation of the added income derived from tomato production is at least \$45,318.00, for the whole Eastport area, based on a crop average of ten pounds per plant, over a period of four years' production.<sup>128</sup> This gross benefit represents a 409% return on the \$11,100 amount initially invested in the greenhouse program.<sup>129</sup>

The benefits accruing from the other agricultural development programs were not so substantial. The strawberry experiment was considered uneconomical because of low production.<sup>130</sup> Had the harvesting of the vegetable crops coincided with the tourist season, the vegetable marketing centre would probably have been a more

profitable venture.<sup>131</sup> The community bogland project on the other hand, experienced some success. In 1971, 26,000 pounds of carrots were marketed for a total sum of \$2,340.00.<sup>132</sup> No production was possible in 1972 due to the mechanical failure of the bogland tractor. The winter greenhouse culture experiment was a failure as the plants did poorly in the cold winter weather.<sup>133</sup> The blueberry experiment was not as successful as anticipated. This crop brought \$4,950.00 into the area in 1970 when it was marketed but the poor crops of 1971 and 1972 have provided no additional income.<sup>134</sup> The peat bog pit development has been very beneficial to the greenhouse operators as they have been able to decrease their production costs through the utilization of this peat in their operations.<sup>135</sup>

Despite some losses and uncertain results, the agricultural resource adjustment projects have had a beneficial effect on the Eastport area. The most important direct result of these projects was the increased income of the farmers. The greenhouse tomato production induced a gross benefit of \$45,318.00, the carrot production provided a gross benefit of \$2,340.00, the blueberry crop contributed \$4,950, and the resulting employment at the vegetable marketing centre added \$500.00 to the area during the 1968 to September 1972 period.<sup>136</sup> The total gross benefit of these agricultural projects is \$53,108.00. This amount represents 378% gross return on the initial agricultural investment of \$19,879.19.<sup>137</sup>

The tourism adjustment program has also had a beneficial effect on the Eastport area. The most noticeable indications of this effect can be seen in the business area. Since 1968, two new business

enterprises have begun operations and two of the existing businesses have made significant extensions in floor space.<sup>138</sup> Moreover, most businesses reported a substantial increase in sales after the inception of the development program. The sales of Sea Side Meats have tripled since 1968.<sup>139</sup> Co-op store sales rose by 33.3% since 1968 and the manager had attributed the majority of this increase to tourist consumption.<sup>140</sup> Furthermore, plans for the establishment of several new service businesses such as a motel, a restaurant, and a service station are concrete evidence of the substantial benefits accruing from the tourist adjustment program.<sup>141</sup>

The Eastport Festival of the Arts has also had a beneficial economic impact on the area. Besides, the \$24,819.23 brought into the area directly through wages and the sale of local handicrafts,<sup>142</sup> the festival has undoubtedly attracted many of the tourists who have expanded the business of the local merchants.

The economic benefits of the other tourism projects such as the museum, the beach houses, and the boat launch are difficult to determine as no fee was charged for their use. Instead their purpose was to attract tourists to the area, so that the economic potential of the fishery and the agricultural resources might be exploited. However, there are several other economic benefits of the tourist development program--fares from boat rides and the sale of home-baked delicacies. The boat trips made by one fisherman, over the 1968 to 1972 period, have added at least \$2,000.00 to the economy of the Eastport area,<sup>143</sup> while the two home bakeries have realized about \$415.00 in sales since their openings after 1968.<sup>144</sup> The direct gross



benefits accruing from the Eastport Festival, the home bakeries, and the boat trips total \$27,734.42. Direct benefits to business are more difficult to ascertain. In 1970, the festival paid an amount of \$3,342.60 directly to the businesses of the area.<sup>145</sup> The manager of the Co-op stated that tourism was responsible for at least a \$25,000.00 increase in 1971 sales.<sup>146</sup> However, as based on the above data, and lengthy interviews with the other merchants in the Eastport area, it can be estimated that there was a \$70,000.00 total increase in business sales during the 1968 to 1972 period.<sup>147</sup> These direct tourist benefits total \$123,108.00, representing a 267% return to date on the initial tourist development cost of \$45,516.75.<sup>148</sup>

It is our view that the fishery, agricultural and tourism benefits listed above attest to the greater success of the rural development program in the Eastport peninsula. The area has experienced a population increase which exceeded the provincial average by 11%<sup>149</sup> and the incomes of the primary resource producers have risen substantially as a direct result of development expenditures. More tourists have been attracted to the area and this has produced such spin-off effects as increased sales to merchants, significant business expansion, and a greater variety of goods available to the local populace.

The specific economic benefits of the Eastport rural development program during the 1968 to 1972 period are summarized at this point. The fishery resource adjustment projects have produced at least \$23,160.00 of extra income for the fishermen, the agricultural resource adjustment projects have added at least \$53,108.00 to the incomes of the farmers and the tourism projects have attracted at least

\$123,108.00 of extra capital. The total calculable gross benefit amount to date is therefore established at \$199,376,00. This amount represents a 198% gross return on the original \$99,955.98 development cost--a very significant result over only a four year period.<sup>150</sup> And it is our view that this estimate represents a conservative summary. In any case, the lack of more accurate data on individual development projects prohibits a concise net cost-benefit analysis.<sup>151</sup> However, indications such as increased business expansions, new or renovated homes, the purchase of new farm vehicles, and the general prevailing optimism in the area all suggest that a net benefit has occurred. Furthermore, there are many indications that these program benefits will increase over time. The Eastport peninsula is acquiring a popular reputation as a peaceful summer holiday area, lobster sales to tourists have risen greatly since 1968, and the greenhouse tomatoes are earning provincial renown.

Thus, it can hardly be denied that the rural development program has been reasonably successful in the Eastport peninsula. There is, accordingly, some presumption that rural development programs could produce similar results in the other parts of the Province, provided they were designed in accordance with the potentials of the areas concerned.

The Fogo Island rural development program also offers evidence that regional economic disparity in Newfoundland can be alleviated through the exploitation of Newfoundland's rural potential. The rural development program in this region was chiefly responsible for altering the status of Fogo Island from an impoverished declining

outport in 1967 to a thriving fishery centre in 1972.

Fogo Island was in desperate need of economic development in 1968. The two fish processing plants providing the major livelihood on the island were closed in 1967 because the insufficient catches of the inshore fishery had made their operations economically unviable.<sup>152</sup> The island was in a critical situation indeed. The population was in a constant state of decline. It had decreased by 1.1% during the 1961-66 period and was being further eroded by resettlement.<sup>153</sup> Sixty-seven families had applied for resettlement assistance by December 1967; nine of these applications had been approved and sixty-five people had already left the island by January 1968.<sup>154</sup> Social welfare incidence was another indication of the serious situation of Fogo Island. In November 1967, there were 257 families on short term social assistance and the annual payments totalled \$259,250.00.<sup>155</sup> This amount represented a 59% increase over a similar payment level in 1966.<sup>156</sup> Fogo Island utilized only 69% of its total potential community work force, and had an unemployment rate of 9% in 1966.<sup>157</sup> This situation is believed to have worsened considerably in 1967 with the withdrawal of the major sources of employment in the fish processing plants. The per capita annual fisherman's income highlights the severity of the Fogo Island situation. This income had declined from \$921.42 to \$586.72 or by 31% during the 1964 to 1967 period.<sup>158</sup> The general attitudes of the people are probably the most significant indication of the dire nature of the Fogo situation. There was a general feeling of despair on Fogo Island in 1967. Many of its residents were very concerned about their future on the island and the following comment,

made by one anxious person, was typical of the prevailing attitude.

It's hopeless on Fogo Island. You can kill yourself fishing or go on the dole.<sup>159</sup>

The residents of Fogo Island formed the Fogo Island Improvement Committee in 1958 and had repeatedly demanded government aid for the economic development of their area. However, these requests were largely unheeded until 1967 when the provincial government expressed interest in the area. The Newfoundland Department of Community of Social Development designed a self-help rural development program, that fulfilled the federal A.R.D.A. criteria and took into account the capabilities of the area. This program was influenced by the recommendations of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador; it attempted to upgrade the fishery technology of the island so that offshore fishing might be utilized to exploit the various groundfish potentials of Newfoundland.<sup>160</sup> A project carried out on Twillingate Island by Mr. Jim White was taken as a model for the Fogo Program. It involved the building of a shipyard by a local organization which would operate on a non-profit basis.<sup>161</sup> Newfoundland Co-operative Services were retained to design and supervise this co-operative shipyard. When all investigation into the feasibility and methods of operation was completed, the project was offered to the people. It was through the building of longliners by this shipyard, that the fishing capability of the island was to be improved tremendously. The program was to be administered by the Fogo Island Improvement Committee and the participation of the people of Fogo Island was encouraged. Funds were provided for a local worker, responsible to the committee, who was to organize at the community and sectoral levels

and then provide liaison between the people and the committee.

The direct cost of the Fogo Island development program totalled \$216,064.42 over the period from December, 1967, to June, 1972.<sup>162</sup> The Second A.R.D.A. Agreement funded the major portion of this amount, namely, \$196,431.42,<sup>163</sup> while the Newfoundland Department of Community and Social Development provided the remaining \$20,000.00 of the development cost from its local worker fund.<sup>164</sup> The overall per capita cost was only \$50.58<sup>165</sup>--much less than the D.R.E.E. Newfoundland per capita cost of \$249.44 during the the 1969-70 to 1971-72 period.<sup>166</sup>

The \$216,064.42 Fogo Island development fund was expended on three types of projects--the provision of a local worker, a small amount on tourist development, and the improvement of the fishery resource. A total of \$25,500.00 was spent for the employment of a local worker throughout the development period.<sup>167</sup> Tourist development consisted of establishing a small island park which was granted \$2,133.00 by A.R.D.A.<sup>168</sup> The fisheries resource adjustment program was composed of seven projects costing the following amounts: a shipyard--\$35,381.51; the herring plant improvements at Joe Batt's Arm--\$2,000.00; a revolving fund for loan purposes to longliner purchasers--\$75,000.00; a market research grant--\$500.00; the provision of a fish plant water supply--\$13,698.75; fish plant repairs--\$47,851.13; and a supervision fee to Newfoundland Co-operative Services--\$8,000.00.<sup>169</sup>

The benefits of the Fogo Island Development program were far more substantial than its costs. This program was chiefly responsible for alleviating the prevailing feeling of despair in 1967 and replacing it with the 1972 attitude of general confidence. Both general and

specific benefits have resulted from this development program.

The general benefits are most substantial. The severe decline in population has lessened considerably. Even though Fogo Island experienced a decrease of 348 people, or 8% during the 1966-1971 period, there are many indications that this trend is coming to a halt.<sup>170</sup> The majority of the 8% decline can be attributed to resettlement. Three hundred and sixty-four people were aided in resettling off Fogo Island during the period from 1965 to September 1972.<sup>171</sup> However, the majority of these resettlements occurred during the crisis period from 1966 to 1969, when some three hundred and forty-five, people left.<sup>172</sup> Mr. Ken Harnum, Director of the Resettlement Program, states that resettlement applications submitted from the island have lessened considerably since 1969.<sup>173</sup> One can detect, therefore, a definite waning in resettlement desire since the inception of the development program in 1968.

The great decline in social assistance payments is another strong indicator of the beneficial effect of the Fogo Island development program. There was a 56% decrease in the short term assistance caseload during the period from November, 1967, to 1971. The number of cases declined from 257 to 112.<sup>174</sup> This decline corresponded with a 41% decrease in the annual amount of short-term assistance paid out in the 1967 and 1971 periods--\$259,250.00 in 1967 as compared to \$153,349.09 in 1971.<sup>175</sup> This payment decrease is very significant as there have been two increases in the short-term assistance rates during the period in question. The amount of money saved in short term assistance payments since the development program

was launched is substantial indeed. By using the 1967 short-term social assistance figure of \$259,250.00 as a base, and by assuming comparable savings in subsequent years, one can infer a cumulative saving of \$503,138.00.<sup>176</sup> And this figure may be too conservative since it does not account for the effects of rate increases.

Little change has occurred in the unemployment rate and the utilization of the total potential community work force. There was a 4% decline in the work force utilization and a 2% increase in unemployment over the 1966 to 1971 period.<sup>177</sup> However, a much more important change has come about in the major occupation of the island--the fishery. The development program with its emphasis on improved technology has brought about a noticeable rise in the annual per capita personal income of the fishermen. An overall increase of 254% was realized during the period from 1967 to 1971. Average income, in fact, climbed from \$586.74 in 1967 to \$1489.60 in 1971.<sup>178</sup> Furthermore, a much greater increase in income was realized by the longliner fishermen. The average earnings of a longliner crew member approximated \$2,000.00 during the 1970 and 1971 seasons, which represent nearly a 400% increase over the 1967 average fishermen's earnings of \$586.74.<sup>179</sup>

Additional benefits have accrued from the Fogo Island development program--one of which is the expenditures and interest of other government departments and agencies on public works and services for the island. Since 1968 the Canadian Department of Public Works has provided \$245,000 for the construction and maintenance of marine facilities, a new post office and a sea plane landing float.<sup>180</sup>

The Newfoundland Department of Highways has spent a total of \$2,293,000

on road building and upgrading on Fogo Island since 1968.<sup>181</sup> The Newfoundland Fisheries Development Authority has spent a total of \$158,305.00 on the island since 1968, on such projects as the upgrading of the Seldom plant, the construction of the Shoal Bay slipway, the wharf extension at Joe Batt's Arm, and the repairs to the Tilting community stage.<sup>182</sup> Furthermore, it has carried out several exploratory fishery studies on the island such as the feasibility of a scallop fishery. Finally, the Department of Regional Economic Expansion funded a study on the feasibility of a fish processing plant on Fogo Island in 1972.<sup>183</sup> Data on the cost of this study are unavailable at present. The office of the Premier provided \$25,000 to aid construction of the school in September 24, 1971.<sup>184</sup> The expenditures of the agencies mentioned above total \$2,711,305--a considerable government investment over a four year period.

Several miscellaneous benefits have occurred largely as a result of the development program. Two communities have become incorporated since 1968--Seldom and Seldom Come By and Joe Batt's Arm and Barr'd Islands. A new high school, costing \$700,000.00 was built on Fogo Island in 1972.<sup>185</sup> This school, funded jointly by the Roman Catholic School Board, and the Terra Nova Integrated School Board, is the first school in Newfoundland to integrate Catholic and Protestant students--certainly a positive sign of social development. Considerable improvements have occurred in business entrepreneurship on Fogo Island since 1968. Six businesses have begun operation and seven businesses have been renovated.<sup>186</sup> Many of the island's businessmen report that sales have increased considerably since 1968.



One merchant noted that he had sold more paint in the month of July, 1972, than in the entire previous year.<sup>187</sup> The merchants also report an increase in the variety of goods and services offered since 1968. The above indications all suggest that the economy of Fogo Island has improved since 1968 as extra income is a precondition for increased business.

Other additional benefits of the development program are seen in the improved services of the area. Since 1968, Fogo town has acquired such modern services as street lights, garbage collection and a fire truck. Presently, the town is in the process of negotiating with the government regarding a water supply system.<sup>188</sup> These same services may also come to the other recently incorporated towns on the island. Many communication improvements have also occurred since 1968. Telephone service is being extended to all the communities on the island.<sup>189</sup> Previously, only a few had this service. Ferry transportation has been greatly upgraded; rates were lowered in 1968 and a new, larger ferry is being purchased in 1973.<sup>190</sup> The Local Initiatives Projects can be considered as an added benefit of the development program. Four projects; a causeway, a community stage, and two community halls approved in 1972 have added a total amount of \$143,600.00 to the economy of the Fogo area.<sup>191</sup> Finally, the construction of a \$4,000.00 public playground, jointly funded by the Department of Education and the Roman Catholic School Board, can be seen as another benefit of the Fogo Island development program.<sup>192</sup>

The most significant benefit by far, accruing directly from the development program, is the great improvement in the attitude of

the people. A positive feeling towards the island is manifest. Twenty new homes have been built on the island since 1968, most of them during the period from 1970 to 1972.<sup>193</sup> Signs of peoples' pride in their homes are widely seen. There is a general movement on the island to paint and repair homes, many of which were never painted before.<sup>194</sup> This confirms the merchants' claims that their sales of paint and household items have soared recently. The youth have a generally positive outlook. When interviewed, a large number replied that they would prefer to stay on the island and work, rather than leave the island to find a job.<sup>195</sup> This general feeling is further born out by the return of educated native Fogo Islanders: some nurses, teachers, and general business people have returned to the island since 1968. At present, 60% of the nurses and 24% of the teachers are returned Fogo Island natives, while some 33% of the remaining teachers have decided to settle on the island.<sup>196</sup> Moreover, all of the non-management personnel at the Co-op office are returned Fogo Islanders.<sup>197</sup>

Substantial direct benefits have also accrued from the development program. The fishery resource adjustment projects have provided benefits in three areas,--i.e., the shipyard, the fishery, and plant labour. The money invested in the shipyard has produced considerable returns. Since 1968, twenty-four longliners have been built and a total of 114 annual jobs have been created.<sup>198</sup> This shipyard has added \$294,061.83 of extra income in labour payments to Fogo Island during the period from 1968 to 1972.<sup>199</sup> Since it was built at the centre of Fogo Island, the shipyard has served as a force to bring about more unity on the island through the attempt it

made to employ several men from each community. The Fogo Island development program has also increased the income of the fishermen in the area by upgrading fishery technology. This improvement has resulted in an increased value of the fish landed. By using the 1967 value of fish landings as a base (i.e., \$482,019.00), one can estimate that at least \$822,063.00 has been added to the income of the Fogo Island fishermen during the 1968 to 1972 period.<sup>200</sup> The Fogo Island development program has also added extra income to the island by way of plant labour wages. The Fogo Island Shipbuilders and Producers' Co-operative managed the fish plants on the island since 1968 and consequently employed many people. All together 380 jobs were created, and a total of \$574,729.98 was paid out in wages.<sup>201</sup> Thus, the fishery benefits were as follows: shipyard labour--\$294,061.83; increased fish catches--\$822,063.00; and plant labour--\$574,729.98. Their total amount was \$1,690,854.81.

The Fogo Island park, the sole project in the tourist sector, has not realized any benefits to date, as it is still unfinished.

The general and fishery benefits listed above all attest to the great success of the Fogo Island rural development program. A sense of hope and confidence has replaced the despair of 1967. Resettlement desire has waned and the people are investing their time and resources in the island. Social assistance payments have declined substantially. More intra-island communication is occurring. The seven school boards of 1967 have amalgamated into two units, one a Protestant and one Roman Catholic board, and have built one high school for all Fogo Islanders regardless of religious creed.

Furthermore, the centre of the island where the motel, the school and the shipyard are located is becoming the focal point of the island and will play a role of increasing importance in the future. The annual income of the average fisherman has increased 250% since 1967.<sup>202</sup> The Fogo Island Producers and Shipbuilders Co-operative has contributed greatly to the island economy by providing jobs in the shipyard and fishplants. The direct gross economic benefits resulting from the Fogo Island Development Program have been substantial during the period from 1968 to December, 1972. Benefits such as an increase in business sales were impossible to ascertain. Thus, it is felt that the total direct benefits were more substantial than the calculated direct benefits. However, the calculated benefits accruing directly from the fishery were as follows: shipyard labour--\$294,061.83; plant and office labour--\$574,729.98; and extra fishery income--\$822,063.00. Thus, the total calculated direct benefit of the Fogo Island development program is \$1,690,854.81. The \$503,138.00 saved in welfare payments, the substantial amount saved in resettlement costs and the monies spent by other government bodies on the island since 1968 were not considered in this gross benefit analysis as they were of indirect influence. Some of the decline in welfare incidence was due to resettlement and some of the other government expenditures, such as the provision from the office of the premier, have strong suggestions of 1971 electioneering.<sup>203</sup> The \$1,690,854.81 direct gross benefit represents a 736% return on the \$216,064.42 cost of the Fogo Island development program.<sup>204</sup> This is a very significant return as it represents a 636% exceeding of the gross benefit over the cost

in a five year span. The lack of more accurate data on individual development project operations prohibits a concise net cost - benefit analysis. However, indications such as increased business sales, new and renovated homes and the general prevailing confidence in the area suggest that a net benefit has been realized. Furthermore, there are indications that these program benefits will increase over time. The Fogo Island shipyard is being bombarded with requests for longliners which will result in increased employment and increased fish landings for the local fishermen. One cannot deny that the Fogo Island rural development program has been very successful and that like the Eastport experiment, it gives a strong indication that rural development efforts could obtain similar results in other areas of the province, provided they were designed in accordance with the potentials of the areas concerned.

The Rural Development Authority (R.D.A.) is a body established by the provincial government in October, 1972, as a means of increasing the gross provincial product through the exploitation of Newfoundland's rural potential. Although it has operated for less than a year, R.D.A. may yet provide another indication that D.R.E.E. could achieve substantial results in alleviating regional economic disparity in Newfoundland through stimulating the rural development process.

Premier Frank Moores expressed his strong belief in the potential for rural development when he announced the creation of R.D.A.

It has always been my belief and it is a policy of my government that it is much better to help people do the things they know best than it is to invent new industries

and make them change their way of life. It is also better to listen to them and find out what they think than it is to just talk at them.<sup>205</sup>

The strategy of the Rural Development Authority, unlike the strategy of D.R.E.E., is designed in accordance with the special needs and capabilities of rural development in Newfoundland. R.D.A. strategy is primarily based upon the Regional Activation Program (R.A.P.)--an extension of the A.R.D.A. rural development strategy which consists of the following three criteria.<sup>206</sup> First, rural development operations must be consistent with an overall development objective and strategy for the whole province. Resource sector, transportation, infrastructure, industrial development, resettlement and rural development programs must all be complementary to one another in achieving certain development objectives. Secondly, development planning must involve the presentation of alternative development objectives and strategies to the policy maker in which the costs and underlying value judgments within each question are clearly stated. The policy maker will be aware of opportunities foregone and the social and economic costs which will result from their decisions. An explicit statement of cost will also help to ensure the formulation of those programs which can be technically or financially implemented. Thirdly, development programming must ensure that the full range of options or alternatives is presented to the people affected, so that they may make a choice of life style on the basis of as much information as can reasonably be brought together. This requirement implies that every effort should be made to promote the maximum feasible participation of people for whom the plans are intended.

Mr. Stratford Canning, Rural Development Authority program development co-ordinator, states that:

RAP is an outline of a development approach which contends that in Newfoundland, because of basic socio-economic and cultural factors which have caused a certain development dilemma, more than the traditional strict rational economic planning is needed in the province.<sup>207</sup>

He further claims that,

RAP could become, at one and the same time, a program for social, economic and resource development, a low cost development program, and a transitional planning strategy for a province in which sophisticated economic planning may not be the best method of attack on regional disparity.<sup>208</sup>

Mr. Fred Evans, Executive Director of RDA states:

that this program is based on the concept that rural resource development, especially in agriculture, the fishery and tourism, can be best stimulated through an approach that utilizes concepts of self-help community action, an intermediate technology applicable to resource development and, the promotion of trusting and sound relationships between the government and the people.<sup>209</sup>

He contends,

this approach would reduce people's dependence on government, help to reduce excessive demands for public services and help government to see the need for a decentralized people-oriented approach to development.<sup>210</sup>

RAP planners, such as Mr. Evans and Mr. Canning further state that:

a basic characteristic of the regional activation planning is that it is a non-normative and unstructured approach in terms of socio-economic impact, that is, the ultimate socio-economic impact will be almost random in terms of specific economic activities, although specific and positive targets may be set in aggregate economic terms.<sup>211</sup>

They claim that the Eastport and Fogo processes although somewhat imperfect, could be used as models for a Regional Activation Program.

The process might be classified as a form of "planning from below."<sup>212</sup>

RAP planners claim that the need for such an unstructured or open-minded approach to development programming stems from the following factors.

The economic development process from a subsistence or dependent economy via simple and intermediate technologies will automatically be an open-ended process. It is impossible in such a process to plan the ultimate disaggregated impact of specific projects as one can when using sophisticated plans for growth and technological development in urban centres. The present traits and other cultural characteristics of the people, particularly in rural areas, render them poor as workers in structured situations within the urban economy, that is, they tend to be more suited to creating jobs for themselves rather than having jobs created for them by an industrial employer. Many rural enterprises can become competitive, but only in the production of speciality products using small crew operations, with strong kinship ties, in resource extraction. The outcome of the growth of such activities is not easily predictable, except in very general terms of aggregate output, employment and incomes. Natural growth centres are few and far between due to the distorted set of economic signals in terms of federal transfer payments, aid programs, loans, and other federal and provincial activities. Until Newfoundland has natural growth centres based on a genuine economic base, the preplanned or normative approach will be of limited applicability. Finally, it is the people themselves who sift and propose projects based on a thorough knowledge of their own resources and abilities. Such knowledge is not available to planners.<sup>213</sup>

RDA strategy and operation procedure, based largely on the above RAP ideas, consists of four basic steps.<sup>214</sup> First, the growth of entrepreneurial skills was to be encouraged through small business loans and incentives. Secondly, a corps of rural development workers was to be trained so that it could begin community development efforts in Newfoundland. Thirdly, community development efforts were to be focused on a regional basis. The rural development workers mentioned above were to devise and try to encourage a program of



regional resource development. Finally, these regional planning organizers were to try to locate the needs and capabilities of the particular region and attempt to make them more clearly understood by the various government departments, and thereby aid in provincial development efforts.

The Rural Development Authority offered several services to aid in the above stated operational procedure. A program development group was set up to act as a private consultant to local development associations; to provide technical and planning expertise to the regional offices of the authority; to analyze, evaluate and devise the plans and strategies required from requests coming in from the regions and local development associations; to interpret and evaluate trends within the regions; and to assess local needs and capabilities so that this information could become a regular part of government programming.<sup>215</sup>

The Rural Development Authority has only applied the first step, the encouragement of entrepreneurial skill in natural resource development, in its overall rural development strategy for Newfoundland and has experienced unqualified success since its inception. Two hundred thirty-six (236) small businesses such as sawmills, farm expansions, blueberry farming, and lumber operations have been aided and one thousand thirty-five (1035) jobs have been created.<sup>216</sup> The total cost of this operation, during the October 1972 to January 25, 1973 period was \$1,572,519.<sup>217</sup> The average cost per job was only \$1,525.00<sup>218</sup>--a notably low figure when compared to the \$4,345.42 cost per R.D.I.A. job. Furthermore, the minister of rural development,

Mr. Jim Reid, has requested an extra two million dollars from government so that the authority could approve the many applications that are constantly pouring in.<sup>219</sup> The Rural Development Authority offers some evidence to date, that regional economic disparity in Newfoundland can be alleviated through the exploitation of rural potential. More success will probably result as the other three parts of its strategy are implemented. Mr. Brian Peckford, MHA for Green Bay and PC government assistant on rural development, pointed this out in the throne speech debate on February 15, 1973:

Its (RDA's) unqualified success to date confirms the government's belief that without a vibrant rural Newfoundland we cannot expect to flourish as a province.<sup>220</sup>

This thesis, however, recognizes that the short period of RDA operation has not permitted sufficient time to assess the economic viability of the overall impact of RDA on rural development. Thus, while we have examined RDA as a possible experiment in rural development programming, it is realized that limited data precludes mention of RDA as concrete evidence of the alleviation of regional economic disparity in Newfoundland through the exploitation of rural development potential.

In conclusion, the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador, augmented by the comments of current researchers and workers in the field, the Eastport and Fogo Island rural development programs and the activities of the Rural Development Authority all attest to the possible significant potential that could be exploited through rural development programs

in Newfoundland. Certainly D.R.E.E. should take heed of this considerable evidence in its attempts to alleviate regional economic disparity in this province.

## CHAPTER VI

### CONCLUSION

This thesis cannot but conclude that the federal attempts at alleviating the regional economic disparity experienced by Newfoundland during the 1949 to January 1973 period, have been ineffective. The federal government exerted very little effort to reduce regional economic disparity prior to 1963. During the 1949 to 1957 period, transfer payments and Term 29 allotments constituted the total federal contributions to the Newfoundland treasury. This was followed by the 1957 to 1962 period, a time of Mr. Diefenbaker's cautious policy experimentation, when the Atlantic Adjustment Grants and the equalization payments represented additional federal monies contributed to Newfoundland's coffers. The Pearson Era, from 1963 to 1969, featured the first real attempt by the federal government to reduce regional economic disparity in Newfoundland. It was during this period, that in addition to the above contributions, the federal government committed a total of \$119,955,187 million to Newfoundland under such programs as A.D.A., A.D.B., and A.R.D.A.--direct attempts to alleviate regional economic disparity. These programs were not particularly effective in reducing the regional economic retardation experienced by Newfoundland, and in 1969 the federal government, under the leadership of Prime Minister Trudeau, made a further attempt at combatting this problem. This federal government set up

a specific department, the Department of Regional Economic Expansion, (D.R.E.E.) with the expressed objective of alleviating regional economic disparity by way of "economic expansion and social adjustment."

In keeping with this policy D.R.E.E. has committed a total of \$173.534,894 million to Newfoundland during the period from 1969 to January 1973, and has employed a strategy emphasizing urbanization as opposed to rural development. This urbanization approach, which has accounted for 91% of D.R.E.E. commitment, or over \$159 million, consisted of two programs--industrial incentives and infrastructure assistance. The industrial incentives program accounted for 16% of the D.R.E.E. commitment or \$28.950894 million. It consisted of two programs--R.D.I.A. (\$8.950894 million) and the Newfoundland and Labrador Development Corporation (\$20.0 million). Since its inception, R.D.I.A. has promoted the creation of 1977 jobs in Newfoundland, at the cost of \$4543.42 per job. The Newfoundland and Labrador Development Corporation is scheduled to begin operation in July, 1973. The infrastructure assistance program accounted for 75% of total D.R.E.E. commitment, or \$130.881 million. It consisted of three agreements: The First Special Areas and Highways Agreement, later dissolved; The Second Special Areas Agreement (\$110.881 million); and The Special Highways Agreement (\$20. million). With the D.R.E.E. funds committed to the program, numerous infrastructure projects were undertaken which included the building of schools, land assembly projects, water and sewer systems as well as the construction of several forest access and paved roads. It should be noted that the main aim of the infrastructure assistance program, namely, the enticement of industry into the special areas has only been marginally successful. Only forty of the sixty-two

R.D.I.A. businesses have located in the special areas. The D.R.E.E. rural development approach accounted for 9% of the total D.R.E.E. commitment of \$14.063 million. It was composed of four agreements--The Second Resettlement Agreement (\$6.9 million), the Minerals Agreement (\$2.698 million), the Third A.R.D.A. Agreement (\$0.5 million), and the Land Surveying and Mapping Agreement (\$3.965 million). As a result of these four agreements, 3,581 people were resettled, mineral research and exploration was undertaken, agricultural research in the Argentic area was carried out, a water supply system was provided for Port aux Basques and a program of land utilization was begun.

Unfortunately, in spite of the above federal efforts, Newfoundland's economy still remains in a depressed state when compared to the national standard. Newfoundland's per capita income, calculated as a percentage of the Canadian average, has only increased 9% since Newfoundland's entry into Confederation, as it rose from 52% in 1949 to 61% in 1971. In January 1973, Newfoundland experienced an actual unemployment rate of 18% which represented 234% of the Canadian average actual unemployment rate of 7.7%. Had there been no D.R.E.E. programs, Newfoundland's economic situation would have become even more critical due to the impact of federal anti-inflationary policies. D.R.E.E. funds, therefore, have merely helped to cushion the Newfoundland economy against what might have been a disastrous economic setback under the stress of a general economic recession. This thesis does not solely attribute the critical state of the Newfoundland economy to a lack of federal efforts at relieving regional economic disparity. Obviously, international business cycles and other economic factors contributed somewhat to this state. But this

thesis contends that the federal government could have alleviated Newfoundland's experience with regional economic disparity to a greater extent.

It is our claim that the main reason for the insufficient effect accruing from these federal attempts was the unsuitability of the strategy employed by the federal authorities. It is the contention of this thesis, that D.R.E.E. strategy with its great emphasis on the urbanization, as opposed to the rural development approach, was not the most effective method of dealing with this problem. A more effective method would have been one designed to exploit the unused and under-utilized human and natural resources of Newfoundland. This thesis contends that such a strategy should have featured a significant shift in emphasis from the urbanization to the rural development approach. An extreme change of emphasis, that is, a negation of the urbanization approach, is by no means advocated. It is our claim that both approaches, in an approximately equal degree, are relevant to the Newfoundland situation. A more effective strategy should have interlocked with Newfoundland's small business character, attempted to develop an urban growth corridor pattern, and exploited Newfoundland's rural development potential to a much greater degree.

D.R.E.E. has not effectively pursued such a strategy. R.D.I.A. provisions have not encouraged the expansion of Newfoundland's small businesses. The Special Areas program has attempted to apply the urban growth corridor concept to a significant degree only in the St. John's Special Area. D.R.E.E. has practically ignored Newfoundland's rural development potential. On the other hand, the Royal

Commission on State and Economic Prospects of Newfoundland and Labrador, augmented by comments from current researchers and workers in the field, the Eastport and Fogo rural development program evaluations, and the activities of the Rural Development Authority all attest to the possible potential that can be exploited through rural development programs in agriculture and the fishery. Furthermore, the Atlantic Development Council in its 1971 Report points out the need for a greater exploitation of the region's primary resources.

Resource-based activities will continue to be important in the overall economic base of the region, and opportunities for new and expanded activities based on the processing of the region's natural resources must be actively and systematically explored and promoted.<sup>1</sup>

D.R.E.E. efforts to the present, however, have tended to downplay the very real potentials that may be gleaned from the exploitation of the fishery and agricultural resources through rural development programs. Certainly, D.R.E.E. should take heed of this rural development potential in its attempt to reduce regional economic disparity.

In addition, D.R.E.E., largely because of its operational structure, has made a limited attempt to exploit Newfoundland's human resource potential. Municipalities and local development associations have no role except through A.R.D.A. Most D.R.E.E. agreements are administered by small federal-provincial liaison and joint planning committees. Mr. James McGrath, PC member of parliament for St. John's East, emphasizes the need for local and provincial initiative in development planning:

We believe that a reasoned approach to regional development requires the involvement of local initiative, municipal and provincial governments, and businesses in the



decision-making process. Their support is as important to success as is their enthusiasm for the form of development sought for the region concerned.<sup>2</sup>

The Atlantic Development Council also recommends that the structure of D.R.E.E. should make provisions for additional provincial consultation.

The regional aspect of development planning is becoming increasingly pertinent. There is, however, at present, no formal vehicle whereby the provincial governments of the region as a group and the federal government can meet to discuss, plan and agree upon the needs of the region and the policies and programs required to meet them. The Council suggests, as a first step in this direction, the establishment of an annual or bi-annual conference between the Atlantic premiers, the Minister of Regional Economic Expansion and other appropriate representatives of both levels of government.<sup>3</sup>

The Atlantic Development Council further recommends that a program of evaluation and monitoring of D.R.E.E. activity is a prerequisite to a successful development effort:

Systematic monitoring of programs and projects and periodic evaluation of the results in terms of objectives and targets are requisites of a successful development effort. The primary responsibility in this respect rests with the provinces and on the federal side, with the Department of Regional Economic Expansion. The proposed annual or bi-annual conference should provide an appropriate occasion for the review, at the top level, of performance reports.

Data relevant to the economy of the Atlantic Provinces are with reference to some subjects, and in some respects, seriously inadequate to provide a basis for the formulation of policies and programs and their subsequent monitoring. The Council has found this a serious problem which has hampered and complicated the preparation of a development strategy. Now that a comprehensive development effort has been launched steps must be taken to correct this situation.<sup>4</sup>

However, the question of alleviating Newfoundland's regional economic disparity is not confined to D.R.E.E. alone. It is also affected by the activities on the Canadian and, to some extent, the

world stage. Federal fiscal, monetary, transportation, commercial, manpower, resource development, and external trade policies all affect the Newfoundland economy. Mr. James McGrath, PC member for St. John's East, called for the co-ordination of all federal department developmental programs so that regional economic disparity might be reduced:

I do want to return, however, to the theme of the importance of co-ordination if any effective and adequate change is to be made in respect of regional disparity in any part of the country. It is particularly important that there be the fullest possible co-ordination among all departments of the federal government because the minister will have under his direction a relatively small number of federal government activities that are involved in any question of economic development and must therefore be regarded as playing a very important role in regional development.<sup>5</sup>

The 1971 Report of the Atlantic Development Council concurred with the above statement. A.D.C. recommended a need for consistency in national policies if regional economic disparity was to be alleviated:

It is vital for the success of the development program in the Atlantic region that national economic policies be more closely co-ordinated, so that there is a consistency of approach. In the absence of better co-ordination, the effects of special regional development programs will be negated or largely offset. This applies especially to monetary and fiscal policies, external trade policy and policy with respect to foreign investment in Canada.<sup>6</sup>

The Canadian federal system of government poses yet another obstacle to the reduction of regional economic disparity. The B.N.A. Act provides the two levels of government with different jurisdictions and conflicts frequently arise in establishing the goals and programs related to provincial development, thereby hampering both federal and provincial efforts at reducing regional economic disparity within the various provinces. Furthermore, the sometimes negative attitudes of

the wealthier provinces regarding this matter should not to be discounted. A.P.E.C. makes this claim in reference to the effectiveness of the R.D.I.A. program:

But in keeping with D.R.E.E.'s own policy of different levels of regional grants, the department should acknowledge the existence of broad guidelines that would permit promoters of R.D.I.A. to assure firms that everything else being equal, higher grants are available in the Atlantic Provinces than in other Designated Regions. This, in fact, was the original intention of the department but for some unexplained reason was never followed. This point is fundamental to the entire incentives program.<sup>7</sup>

In conclusion, this thesis contends that it is possible for governments to alleviate the regional economic disparity experienced by Newfoundland to a more significant degree. This objective could be achieved through a strategy that recognizes Newfoundland's special business and urban character and places greater emphasis on rural development. The recent \$15.9 million agricultural agreement, the \$25 million amendment to the Second Special Areas Agreement with its Hawke's Bay marine facility and the impending fishery agreement<sup>8</sup> all indicate that the federal government now may be realizing the need for a greater emphasis on rural development programs. However, it will require more than a change in D.R.E.E. strategy and structure to reduce regional economic disparity more effectively. There is a great need for the objectives of other national policies to be co-ordinated with those pursued by D.R.E.E. Until this co-ordination of policies occurs, in all likelihood the federal government will continue to concentrate its efforts on alleviating the symptoms rather than dealing with the root causes of regional economic disparity.

## FOOTNOTES

### CHAPTER I

<sup>1</sup>A.P.E.C.: The Atlantic Economy, Fifth Annual Review, p. 7.

<sup>2</sup>A.P.E.C.: Ibid., p. 7.

<sup>3</sup>Statistics Canada - Canadian Income Levels. Catalogue 13 p., 544.

<sup>4</sup>A.P.E.C.: op. cit., p. 7.

<sup>5</sup>Ibid., p. 7.

<sup>6</sup>K. C. Wheare: Federal Government, p. 244.

<sup>7</sup>James H. Lynn, "Federal Provincial Fiscal Relations," p. 197.

<sup>8</sup>Ibid., p. 197.

<sup>9</sup>A.P.E.C.: op. cit., p. 7.

<sup>10</sup>Hugh Whalen, "Public Policy and Regional Development: The Experience of the Atlantic Provinces:" Rotstein, Abraham (ed.), The Prospect of Change, p. 117.

<sup>11</sup>Ibid., p. 118.

<sup>12</sup>The British North America Act: Dawson, MacGregor, The Government of Canada, p. 522.

<sup>13</sup>Ibid., p. 522.

<sup>14</sup>Ibid., p. 524.

<sup>15</sup>Ibid., p. 525.

<sup>16</sup>Constitutional Conference Continuing Committee of Officials: Document No. 81: Newfoundland submission O.2.11.

<sup>17</sup>Victoria Charter Article 46.

<sup>18</sup>The 1970 Canadian per capita personal income was \$3092. These data were obtained from Statistics Canada.

<sup>19</sup>Jack Davis, "Outlook for the Outports," p. 5.

Ottar Brox, in his study, Newfoundland Fishermen in the Age of Industry, (St. John's: University of Toronto Press, 1972, p. 11) puts forth considerable detailed evidence regarding the income of the Newfoundland outport fisherman in the following table:

Breakdown of Incomes, all Sources, for Heads of Households,  
in Areas Covered by Fishery Survey, Summer 1963

Source of Income	Petty Harbour Area	Trepassey Area	Straits Area	Labrador Area	Catalina Area	Port de Grave Area	Totals of All Areas
Average fishing income for heads	\$ 838	\$ 837	\$ 827	\$1,008	\$ 722	\$1,665	\$ 987
Other income from working for heads of households (averages)	446	211	297	177	784	134	336
Sub total	1,284	1,048	1,124	1,185	1,506	1,799	1,323
Average non-cash income per head of household <sup>1</sup>	14	312	398	171	90	98	195
Sub total	1,298	1,360	1,522	1,356	1,596	1,897	1,518
Average transfer payments per head of household <sup>2</sup>	852	867	732	732	731	888	791
Total Income Average	2,150	2,227	2,254	2,088	2,327	2,785	2,309

<sup>1</sup>The number of heads used in getting the various categories of averages in the body of this table varied somewhat. Time did not permit new calculations to correct for this. As a result some of the averages are not completely comparable.

<sup>2</sup>Transfer payments include unemployment insurance benefits, pensions, family allowances and welfare payments.

<sup>20</sup>Jack Davis. Ibid., p. 5.

FOOTNOTES

CHAPTER II

<sup>1</sup>David A. Vardy, "Newfoundland Public Finance 1950-1960," unpublished paper, p. 53.

<sup>2</sup>Richard Gwyn, Smallwood - The Unlikely Revolutionary, p. 182.

<sup>3</sup>Canadian Tax Foundation, "The Agreements." Meekison, Peter, J., Canadian Federalism: Myth or Reality, p. 245.

<sup>4</sup>Ibid., p. 245.

<sup>5</sup>Canadian Tax Foundation: The National Finances, p. 151.

<sup>6</sup>The base on which the equalization payment was previously calculated was modified by the addition to the standard taxes (16% personal income tax, 9% corporation tax, and 50% estate tax) of 50% of a three-year moving average of natural resource revenues. The difference between the national average per capita yield of this base and the per capita yield in the province was multiplied by the population of the province to derive the equalization payment. Formerly equalization had been to the weighted average of the top two provinces rather than to the national average and the resource revenues had not been counted. Op. cit., p. 244.

<sup>7</sup>Richard Gwyn, Smallwood - The Unlikely Revolutionary, p. 188.

<sup>8</sup>Ibid., p. 188.

<sup>9</sup>Ibid., p. 188.

<sup>10</sup>Report of the Royal Commission on Newfoundland's Finances  
Ottawa, 1958, p. 40.

<sup>11</sup>R. Gwyn, op. cit., p. 190.

<sup>12</sup>Ibid., p. 190.

<sup>13</sup>Ibid., p. 188.

<sup>14</sup>Ibid., p. 178.

<sup>15</sup>Ibid., p. 178.

- <sup>16</sup>Tom Brewis, Regional Economic Policies in Canada, p. 100.
- <sup>17</sup>Ibid., p. 100.
- <sup>18</sup>Alvin Hamilton, PC Minister of Agriculture, Hansard 1960-61, Vol. II, p. 1406.
- <sup>19</sup>Tom Brewis, op. cit., p. 120.
- <sup>20</sup>Ibid., p. 120.
- <sup>21</sup>D.R.E.E., Annual Report - 1969, p. 20.
- <sup>22</sup>J. N. McCroirie, A.R.D.A.: An Experiment in Developmental Planning, p. 48.
- <sup>23</sup>William N. Rowe, A Program for the Social and Economic Development of Newfoundland, p. 6.
- <sup>24</sup>Ibid., p. 6.
- <sup>25</sup>Zenon Sametz, private interview held, December 12, 1972.
- <sup>26</sup>J. N. McCroirie, A.R.D.A.: An Experiment in Developmental Planning, p. 48.
- <sup>27</sup>Ibid., p. 86.
- <sup>28</sup>Bill (C-74) establishing A.D.A. had its first reading, June 14, 1963: Hansard 1963, Vol. I, p. 801.
- <sup>29</sup>Tom Brewis, Regional Economic Policies in Canada, p. 158.
- <sup>30</sup>Ibid., p. 158.
- <sup>31</sup>This figure was obtained by dividing the total investment, \$220,700,000, by the number of jobs, 3912. Ibid., p. 158.
- <sup>32</sup>Ibid., p. 158.
- <sup>33</sup>This figure was obtained by dividing \$54,413.54 by 4 and then multiplying it by the number of jobs, 3912. Ibid., p. 158.
- <sup>34</sup>Ibid., p. 158.
- <sup>35</sup>Ibid., p. 164.
- <sup>36</sup>Hansard, 1962-63, Vol. III, p. 2291.
- <sup>37</sup>Tom Brewis, op. cit., p. 181.

- <sup>38</sup>D.R.E.E., A.D.B. Annual Report 1968-1969, p. 28.
- <sup>39</sup>Ibid., pp. 28-48.
- <sup>40</sup>Tom Brewis, op. cit., p. 188.
- <sup>41</sup>Hansard, 1962-63, Vol. III, p. 2291.
- <sup>42</sup>Canadian Tax Foundation, National Finances, p. 151.
- <sup>43</sup>Canadian Tax Foundation, Provincial and Municipal Finances, 1971, p. 268.
- <sup>44</sup>Ibid., p. 268.
- <sup>45</sup>These data were obtained from Statistics Canada.
- <sup>46</sup>These data were obtained from Statistics Canada.



## FOOTNOTES

### CHAPTER III

<sup>1</sup>Atlantic Provinces Economic Council, The Atlantic Economy: Fifth Annual Review, p. 8.

<sup>2</sup>Act regarding the creation of the Department of Regional Economic Expansion, Article V.

<sup>3</sup>Jean Marchand, Address to Industrial Development Conference, Nov. 20, 1971, p. 4.

<sup>4</sup>Tom Kent, Speech to Plenary Session, June 9, 1971, p. 20.

<sup>5</sup>D.R.E.E.'s committed expenditure in Newfoundland during the period of its inception in 1969 to January 31, 1973 totalled \$173,534,894 million. \$28,590,894 million or 16% was committed to industrial incentives. \$130,881,000 million or 75% was committed to infrastructure assistance, while \$14,063 million or 9% was committed to rural development. These figures were obtained from the D.R.E.E. files in St. John's and the individual D.R.E.E. agreements.

<sup>6</sup>Ibid.

<sup>7</sup>D.R.E.E., Annual Report 1970-71, p. 12.

<sup>8</sup>Regional Development Incentives Act, Article V, Section (1).

<sup>9</sup>Ibid., Article V, Section (1).

<sup>10</sup>Ibid. Regulations re: R.D.I.A. Article VIII, Section (a).

<sup>11</sup>D.R.E.E., Annual Report 1970-71, p. 13.

<sup>12</sup>R.D.I.A. Article V, Section (4).

<sup>13</sup>R.D.I.A. Regulation Respecting Regional Development Incentives Article IV.

<sup>14</sup>Ibid., Article VIII, Section (b).

<sup>15</sup>Ibid., Article IX, Section (1).

<sup>16</sup>Ibid., Article II, Section (1), Subsection (c).

<sup>17</sup>Ibid., Article II, Section (1), Subsection (b).

<sup>18</sup>Ibid., Article II, Section (2), Subsection (c).

<sup>19</sup>Ibid., Article II, Section (2), Subsection (b).

<sup>20</sup>R.D.I.A., Article XII.

<sup>21</sup>R.D.I.A. Regulations Respecting Regional Development Incentives, Article XX, Section (1).

<sup>22</sup>Ibid., Article XXII, Section (1).

<sup>23</sup>Ibid., Article XXI, Section (c) and (b) resp.

<sup>24</sup>Files Newfoundland branch D.R.E.E., R.D.I.A. division.

<sup>25</sup>Ibid.

<sup>26</sup>Ibid.

<sup>27</sup>Ibid.

<sup>28</sup>Ibid.

<sup>29</sup>Ibid.

<sup>30</sup>Ibid.

<sup>31</sup>Newfoundland and Labrador Development Corporation Agreement, Article VIII.

<sup>32</sup>Ibid., Article X, Section (3).

<sup>33</sup>Ibid., Article II.

<sup>34</sup>D.R.E.E. committed \$130.881 million to infrastructure assistance out of its total commitment of \$173.534,894 million. The above data were obtained from D.R.E.E. files and D.R.E.E. agreements.

<sup>35</sup>Jean Marchand, Debate in Reply to the 1972 Speech from the Throne, March 14, p. 6.

<sup>36</sup>Jean Marchand, Address to Newfoundland and Labrador Development Conference, Dec. 1971, p. 4.

<sup>37</sup>W. N. Rowe, A Program for the Social and Economic Development of Newfoundland, p. 40.

<sup>38</sup>Newfoundland Federal-Provincial Agreement on Special Areas and Highways, Article VIII.

<sup>39</sup>Ibid., Article VIII.

<sup>40</sup>Ibid., Article VIII.

<sup>41</sup>Ibid., Schedule B.

<sup>42</sup>Ibid., Schedule B.

<sup>43</sup>Canada/Newfoundland, Second Special Areas Agreement,  
Article X.

<sup>44</sup>Ibid., Article X.

<sup>45</sup>Ibid., Article XXVI.

<sup>46</sup>Ibid., Schedule B, Parts I and II.

<sup>47</sup>This is the total of the amounts provided under the Second Special Areas Agreements: \$57.93 million for special area infrastructure carryover projects; \$27.507 million for new and extended projects; and \$.834,375 million for feasibility studies.

<sup>48</sup>Special Highways Agreement, Article VII.

<sup>49</sup>Newfoundland Federal-Provincial Agreement in Special Areas and Highways, Schedule B.

<sup>50</sup>Second Special Areas Agreement: Schedule B, Part I.

<sup>51</sup>Canada Newfoundland Special Highways Agreement, Article IX.

<sup>52</sup>Ibid., Schedule B. For further details refer to Appendix D, Section 1.

<sup>53</sup>This is a total of the amounts of the two agreements, \$24.71 million of the Second Special Areas Agreement and \$20 million of the Special Highways Agreement.

<sup>54</sup>W. N. Rowe, "The Newfoundland Resettlement Program: A Case Study of Regional Development," p. 10.

<sup>55</sup>Ken M. Harnum, "Household Resettlement in Newfoundland," p. 2.

<sup>56</sup>D.R.E.E.: Canada - Newfoundland Second Resettlement Agreement, Article XVII.

<sup>57</sup>Ibid., Article XVII.

<sup>58</sup>Ibid., Article XI.

<sup>59</sup>This resettlement activity occurred as follows: April 1, 1970 to April 30, 1971--422 households consisting of 2058 people; May 1, 1971 to April 30, 1972--212 households consisting of 1025 people; and

May 1, 1972 to January 30, 1973--98 households consisting of 503 people. J. Robbins, Newfoundland Resettlement Division, private interview, March 21, 1973.

<sup>60</sup>W. N. Rowe, A Program for the Social and Economic Development of Newfoundland and Labrador, p. 74.

<sup>61</sup>D.R.E.E.: Mineral Exploration and Evaluation Program, Article XIII.

<sup>62</sup>Ibid., Article II.

<sup>63</sup>D.R.E.E.: Third Canada - Newfoundland A.R.D.A. Agreement, Article I, Section (b).

<sup>64</sup>Ibid., Article VI.

<sup>65</sup>Ibid., Appendix A, Part 1.

<sup>66</sup>Ed Breen, Newfoundland D.R.E.E. program co-ordinator, Interview, February 23, 1973.

<sup>67</sup>William Rowe, former Minister of Community and Social Development, Interview, Dec. 12, 1972.

<sup>68</sup>Ed Breen, op. cit.

<sup>69</sup>Peter Van Es, former Deputy Minister of Community and Social Development, Interview, Dec. 14, 1972.

<sup>70</sup>Canada/Newfoundland: Land Survey-Mapping Agreement, 1972, Article II, Section (1).

<sup>71</sup>Ibid., Article VII, Section (1).

<sup>72</sup>Ibid., Article VII, Section (2).

<sup>73</sup>This refers to the totals of the rural development and social adjustment D.R.E.E. agreements. A.R.D.A.--\$5 million; Minerals--\$2.698 million; Land Surveying Mapping--\$3.695 million; and Resettlement--\$6.9 million.

<sup>74</sup>Ed Breen, Newfoundland D.R.E.E. program co-ordinator, Interview, February 28, 1973.

<sup>75</sup>Interview, Ed Breen, D.R.E.E., February 21, 1973.

<sup>76</sup>Ibid.

<sup>77</sup>These figures are a cumulation of the previously mentioned data re: D.R.E.E. in this chapter.

<sup>78</sup>D.R.E.E.: Distribution by Province of Actual Expenditures on Contributions and Loans, All Programs, 1969-1970 to 1971-1972. The per capita figures are based on total population figures as of July 1, 1972. These data were obtained from Catalogue 91-202 for 1967-72.

## FOOTNOTES

### CHAPTER IV

<sup>1</sup>Per Capita personal incomes: Statistics Canada. More specific information can be obtained by Appendix A, Section 1.

<sup>2</sup>Ibid.

<sup>3</sup>The Atlantic Adjustment Grants contributed \$7.5 million annually during the 1958 to 1961 period--a total of \$30.00 million.

<sup>4</sup>Unemployment Rates: Statistics Canada. For more specific details refer to Appendix A, Section 2.

<sup>5</sup>Ibid.

<sup>6</sup>Ibid. The rate decreased from 297% in 1972 to 226% in 1968.

<sup>7</sup>This amount was calculated as follows: A.D.B.--50.767,251 million, A.R.D.A.--4.017 million, A.D.A.--55.170,936 million, total--119,955,187 million.

<sup>8</sup>St. John's Evening Telegram, "No Conference on Problems in the Atlantic Provinces," February 7, 1973, p. 3.

<sup>9</sup>Ibid.

<sup>10</sup>James McGrath, private interview, February 26, 1973.

<sup>11</sup>Statistics Canada, Unemployment rates.

<sup>12</sup>D.R.E.E.: Distribution by Province of Net Accepted Offers of Incentive Grants Under R.D.I.A. until May 31, 1972.

<sup>13</sup>Jack Marshall, Hansard, October 13, 1970.

<sup>14</sup>Atlantic Development Council: A Strategy for the Development of the Atlantic Region 1971-1981, p. 8.

<sup>15</sup>St. John's Evening Telegram, "Development Corporation Operating in Spring-Crosbie," March 10, 1972, p. 1.

<sup>16</sup>David Lewis, Hansard, March 25, 1971, p. 4605.

<sup>17</sup>Don Jamieson, Hansard, February 22, 1973, p. 1557.

<sup>18</sup>Forty (4) of the sixty-two (62) accepted offers occurred in the special areas. Further information may be obtained from Appendix B.

<sup>19</sup>This figure was derived by multiplying the average cost per job, \$4345.42 by the number of jobs, 1247.

<sup>20</sup>The amount of \$109,301.83 was derived by dividing the number of jobs, 1247, into the infrastructure expenditure plus the amount expended under R.D.I.A. in the special areas.

<sup>21</sup>A.P.E.C.: The Atlantic Economy: The Sixth Annual Review, p. 50.

<sup>22</sup>Ibid., p. 50.

<sup>23</sup>This information is based on accepted R.D.I.A. offers as set out in Appendix B. These four areas have attracted a total of 4 offers to date. This represents 10% of the 40 Special Areas R.D.I.A. offers.

<sup>24</sup>Ibid. St. John's has 24 of the 40 or 60% of the R.D.I.A. Special Areas offers. These offers have produced at least 600 jobs.

<sup>25</sup>St. John's Evening Telegram, "A.P.E.C. Report Says Little Progress in Developing Growth Centre Policy." This is a report of the press conference featuring the release of the Sixth Annual Report, Oct. 13, 1972, p. 3.

<sup>26</sup>Ibid.

<sup>27</sup>Ibid.

<sup>28</sup>O'Connell, House of Commons, Standing Committee on Regional Development, 1972, Issue 9, p. 22.

<sup>29</sup>James McGrath, Hansard, December 13, 1971, p. 10429.

<sup>30</sup>Atlantic Development Council: A Strategy for the Economic Development of the Atlantic Region 1971-1981, p. 5.

<sup>31</sup>Ibid., p. 5.

<sup>32</sup>Ibid., p. 5.

<sup>33</sup>Ibid., p. 5.

<sup>34</sup>Jean Marchand, "Statement Prepared for Delivery to the Atlantic Development Council," February 14, 1972, p. 14.

<sup>35</sup>A.P.E.C.: Fifth Annual Review: The Atlantic Economy, p. 99.

<sup>36</sup>Atlantic Development Council, op. cit., p. 13.

<sup>37</sup>Canadian Tax Foundation: National Finances, p. 151.

<sup>38</sup>Ed Breen, D.R.E.E. Newfoundland program co-ordinator, Private Interview, February 23, 1973.



## FOOTNOTES

### CHAPTER V

<sup>1</sup>D.R.E.E. has expended \$159,471,894 million on its urbanization strategy as compared to the \$14.063 on rural development. The percentages are 91% and 9% resp.

<sup>2</sup>The amounts of the four agreements total \$14.063 million. The individual amounts are as follows: Resettlement--\$6.9 million; Minerals--\$2.698 million; Land Surveying-Mapping--\$3.965 million; and A.R.D.A.--\$.5 million.

<sup>3</sup>D.R.E.E. has expended a total of \$159,471,894 million on these two programs.

<sup>4</sup>D.R.E.E. has committed \$6.9 million in its Resettlement Agreement to date.

<sup>5</sup>Ken M. Harnum, "Household Resettlement in Newfoundland," p. 1.

<sup>6</sup>The Evening Telegram, "Jamieson Announces Changes in Resettlement Program," March 14, 1973, p. 1.

<sup>7</sup>D.R.E.E. has committed \$2.698 million to mineral research and exploration.

<sup>8</sup>Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador, St. John's, 1967, p. 131.

<sup>9</sup>Ibid., p. 131.

<sup>10</sup>Ibid., p. 131.

<sup>11</sup>Ibid., p. 131.

<sup>12</sup>Ibid., p. 131.

<sup>13</sup>D.R.E.E. has committed \$3.965 million in its Land Surveying-Mapping Agreement.

<sup>14</sup>op. cit., p. 202.

<sup>15</sup>D.R.E.E. has expended \$.5 million under its Third A.R.D.A. Agreement in Newfoundland.

<sup>16</sup>Peter Van Es, Interview, December 14, 1972.

<sup>17</sup>Fred Evans, Interview, February 16, 1973.

<sup>18</sup>Ibid.

<sup>19</sup>Ibid.

<sup>20</sup>Ibid.

<sup>21</sup>Ibid.

<sup>22</sup>Ed Breen, Interview, February 16, 1973.

<sup>23</sup>Fred Evans, op. cit.

<sup>24</sup>Ibid.

<sup>25</sup>Ibid.

<sup>26</sup>Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador, p. 184.

<sup>27</sup>Ibid., p. 184.

<sup>28</sup>Ibid., p. 183.

<sup>29</sup>Ibid., p. 183.

<sup>30</sup>Ibid., p. 184.

<sup>31</sup>Ibid., p. 188.

<sup>32</sup>Ibid., p. 188.

<sup>33</sup>Ibid., p. 188.

<sup>34</sup>Federal Department of the Environment, Fisheries and Marine Service, "Landings, Quantity and Value, by Species and By Area, Newfoundland, 1972, p. 1.

<sup>35</sup>Eric Dunne, Chief of the Economics and Intelligence Branch of the Fisheries and Marine Division, of the federal Department of the Environment, Private Interview, March 26, 1973.

<sup>36</sup>Ibid.

<sup>37</sup>Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador, p. 188.

<sup>38</sup>Ibid., p. 188.

<sup>39</sup>Op. cit.

<sup>40</sup>Federal Department of the Environment, Fisheries and Marine Service, "Landings, Quantity and Value, by Species and By Area, Newfoundland, 1972," p. 1.

<sup>41</sup>Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador, p. 188.

<sup>42</sup>Op. cit., p. 1.

<sup>43</sup>Ibid., p. 1.

<sup>44</sup>Report of the Royal Commission on the Economic State and Prospects of Newfoundland and Labrador, p. 188.

<sup>45</sup>Op. cit., p. 1.

<sup>46</sup>Eric Dunne, Private Interview, March 26, 1973.

<sup>47</sup>Report of the Royal Commission on the State and Economic Prospects of Newfoundland and Labrador, p. 188.

<sup>48</sup>Federal Department of the Environment, Fisheries and Marine Services, "Landings, Quantity and Value, by Species and by Area, Newfoundland, 1972," p. 1.

<sup>49</sup>Eric Dunne, Private Interview, March 26, 1973.

<sup>50</sup>Ibid.

<sup>51</sup>Ibid.

<sup>52</sup>Ibid.

<sup>53</sup>Report of the Royal Commission on the Economic State and Economic Prospects on Newfoundland and Labrador, p. 190.

<sup>54</sup>Ibid., p. 190.

<sup>55</sup>Eric Dunne, Private Interview, March 26, 1973.

<sup>56</sup>Ibid.

<sup>57</sup>Ibid. and op. cit., p. 190.

<sup>58</sup>Ibid., p. 191.

<sup>59</sup>Ibid., p. 191.

<sup>60</sup>Ibid., p. 191.

<sup>61</sup>Eric Dunne, Private Interview, March 26, 1973.

<sup>62</sup>Ibid. The catch declined from 4.0 million lbs. in 1967 to 3.1 million pounds in 1972.

<sup>63</sup>Royal Commission on the State and Economic Prospects of Newfoundland and Labrador, p. 214.

<sup>64</sup>Ibid., p. 214.

<sup>65</sup>Ibid., p. 214.

<sup>66</sup>Ibid., p. 208.

<sup>67</sup>Ibid., p. 209.

<sup>68</sup>Ibid., p. 215.

<sup>69</sup>Russ Traverse, Director of Extension, Agricultural Branch, Newfoundland Department of Agriculture and Forestry, Private Interview, March 28, 1973.

<sup>70</sup>Ibid.

<sup>71</sup>Ibid.

<sup>72</sup>Op. cit., p. 216.

<sup>73</sup>Op. cit.

<sup>74</sup>Op. cit., p. 217.

<sup>75</sup>Op. cit.

<sup>76</sup>Op. cit., p. 208.

<sup>77</sup>Ibid., p. 217.

<sup>78</sup>Ibid., p. 217.

<sup>79</sup>Dr. Douglas MacDonald, Private Interview, February 14, 1973.

<sup>80</sup>Russ Traverse, Private Interview, March 28, 1973.

<sup>81</sup>The population had declined from 1877 to 1756 during the 1961 to 1966 period. These figures were obtained from the Statistics Canada Census Division.

<sup>82</sup>There were 52 cases of short term assistance in November 1971. Murray, P. J.; Story, C, "Proposed Program Under A.R.D.A. (Eastport-Salvage)," p. 9.

<sup>83</sup>These data were obtained from the 1966 Electoral Rolls, Districts of Bonavista North and Bonavista South which contain the seven communities on the Eastport Peninsula.

<sup>84</sup>Ibid.

<sup>85</sup>Ibid.

<sup>86</sup>F. J. Evans, F. W. Cook, "Preliminary Report - Development Plan for the Eastport Peninsula," p. 6.

<sup>87</sup>Ibid., p. 6.

<sup>88</sup>Murray, P. J., Story, C., "Proposed Program Under A.R.D.A. (Eastport - Salvage)," p. 18.

<sup>89</sup>This is the main objective of the Eastport Central Committee for the Development of Progress, as stated in Section I of the Constitution.

<sup>90</sup>Neville Squires, Local Worker, Private Interview, July 3, 1972.

<sup>91</sup>These figures were obtained from the financial files of Department of Community and Social Development regarding the Eastport area.

<sup>92</sup>Ibid.

<sup>93</sup>Ibid.

<sup>94</sup>Ibid.

<sup>95</sup>Ibid.

<sup>96</sup>Ibid.

<sup>97</sup>Ibid.

<sup>98</sup>Ibid.

<sup>99</sup>Ibid.

<sup>100</sup>Ibid.

<sup>101</sup>Ibid.

<sup>102</sup>This amount was derived by dividing the 1966 Eastport area population of 1756 into the total development cost.

<sup>103</sup>D.R.E.E.: Distribution by Province of Actual Expenditures on All Programs, 1969-70 to 1971-72.

<sup>104</sup>The population increased from 1756 in 1966 to 1832 in 1971. These figures were obtained from Statistics Canada Census, 1966 and 1971.

<sup>105</sup>The population declined from 1877 to 1756 during the 1961 to 1966 period. Statistics Canada, Census Division.

<sup>106</sup>Neville Squires, Interview, July 3, 1972.

<sup>107</sup>The 1966 utilization was 65% and the 1971 utilization was 64%. The unemployment rate declined from 15% in 1966 to 14% in 1971. These data were obtained from the 1966 and 1971 Electoral Rolls for the Districts of Bonavista North and Bonavista South which contained the results of seven communities on the Eastport Peninsula.

<sup>108</sup>These figures were obtained from the confidential data on the provincial welfare officer, Mr. Cook, who administers the Eastport area.

<sup>109</sup>This researcher did not discover any evidence of resettlement talk during the numerous detailed interviews conducted in the area this summer.

<sup>110</sup>This data was obtained from Mr. Clarence Knight, Deputy Minister of Highways.

<sup>111</sup>This data was obtained from Mr. Colin Bull, bookkeeper of the Eastport Area Integrated School Board.

<sup>112</sup>Mr. Herb Gaudie, Newfoundland Fisheries Development Authority, Private Interview, Sept. 26, 1972.

<sup>113</sup>Ledgers of the Central Committee for the Development of Progress on the Eastport Peninsula.

<sup>114</sup>This figure was obtained from the addition of the previously stated figures.

<sup>115</sup>Neville Squires, Local Worker, Interview, Sept. 18, 1972.

<sup>116</sup>These data were obtained from the Federal Department of Fisheries.

<sup>117</sup>Mr. Willis Turner, Lobster Pool Manager, Private Interview, Sept. 30, 1972.

<sup>118</sup>The \$18,660.00 amount was calculated in the following manner. In 1969, 28,000 lbs. of lobster were sold on the Eastport Peninsula for a total of \$18,019.00, an average of \$0.64 per lb. In 1970, 33,000 pounds were sold for \$26,578, an average of \$0.81 per lb. In 1971, 25,000 pounds were sold for \$22,018.00 an average of \$0.88 per pound. Thus, the per pound increase occurring during the 1969-1970 period is \$0.17 cents and the 1970-1971 period increase is \$0.07 per pound. Therefore, the extra income gained by the Eastport fishermen as a result of the lobster pool in 1970 was the total number of pounds sold, 33,000, multiplied by the increase in price per pound, \$0.17. This amount was \$5,610.00. Based on the same method of calculation, the extra income gained in 1971 was \$6,000.00. The 1972 lobster pool increase in the income of the fishermen, based on 1972 lobster pool sales, as calculated in a similar manner, will be estimated at \$7,000.00. Thus, the total calculable amount added to the income of the fishermen of the Eastport area during the 1970-1972 period is \$18,660.00. This researcher considers this figure too low as reliable data on the annual lobster landings of 1967, 1968, 1969 and 1972 are unavailable.

<sup>119</sup>This figure was obtained by dividing the direct calculable extra income to the fishermen as a result of lobster sales \$18,660 by the initial cost of the pool \$2,173.51.

<sup>120</sup>Ledgers, Central Committee for the Development of Progress on the Eastport Peninsula.

<sup>121</sup>Calvin King, member of the fish holding ship upkeep committee, Interview, Sept. 20, 1972.

<sup>122</sup>A. Heffern, Fred Olford, smokehouse operators, Private Interviews, Sept. 26, 1972.

<sup>123</sup>The 468% return was calculated by dividing the cost \$4,323.51 into the benefit \$23,160.00.

<sup>124</sup>There has been a total of 505 linear foot increase in the greenhouse operation. This represents a 112% increase over the original total 400 linear foot greenhouse operation. These data were obtained from interviews with the senen greenhouse operators, during the period, Sept. 19 to Sept. 30th.

<sup>125</sup>There were 2,600 plants in 1972 as compared with the 1550 of 1969. The following table, devised on the basis of interviews with the greenhouse operators shows this well.

## GREENHOUSE PRODUCTION BY OWNER BY PLANT 1969-72

OWNER	1969	1970	1971	1972	Totals
	1968-275				
Abe Lane	400	300	275	300	1550
Norm Hapgood	400	360	360	360	1480
Harvey Olford	Nil	Nil	360	360	720
Henry Squires	400	380	380	380	1540
Sam Squire	400	400	450	450	1700
Aubrey Brown	400	400	400	Nil	1200
Melvin Hancock	400	500	700	1000	2600
107,900 lbs. - (\$45,318)		Grand Total		10,790 plants	



<sup>126</sup>Melvin Hancock, Private Interview, Sept. 23, 1972.

<sup>127</sup>These are recorded observations by this researcher.

<sup>128</sup>The seven operators have grown a total of 10,790 plants during the entire period of greenhouse operation. Based on the fact that each plant produces at least ten pounds and each pound sells for at least \$0.42 a total amount of \$45,318.00 is calculated. As some plants produce more than ten pounds and some tomatoes sell for more than \$0.42 per lb., this researcher feels this estimate to be too low. The figures on plant production and sale were obtained from the extensive interviews with the greenhouse operators.

<sup>129</sup>The figure of 409% is calculated by dividing the initial development cost of the greenhouse operation, \$11,100 into the benefit, \$45,318.00.

<sup>130</sup>Interviews with the four strawberry growers, Sept. 20-30, 1972.

<sup>131</sup>Mr. Pierie Hapgood, Chairman of the Eastport Peninsula Agricultural Society, Private Interview, Sept. 22, 1972.

<sup>132</sup>Ibid.

<sup>133</sup>Ibid.

<sup>134</sup>Ibid.

<sup>135</sup>Interviews, greenhouse operators, Sept. 20-30, 1972.

<sup>136</sup>Marie Brown, Employee, Vegetable marketing centre, Private Interview, Sept. 26, 1972.

<sup>137</sup>The 378% gross return was calculated by dividing the initial agricultural development investment cost of \$19,879.19 into the calculated benefit of \$53,108.00.

<sup>138</sup>Sea Side Meats and the Golden Eagle Service Station are the two new businesses while the Eastport Co-op Store and Mrs. Don Hancock's Shop are the two stores that have made significant extensions in floor space.

<sup>139</sup>Mrs. Bert Powell; Manager's wife, Sea Side Meats, Private Interview, Sept. 21, 1972.

<sup>140</sup>Gross Sales have increased from 148,000 in 1968 to 199,000 in 1971. John Bull, Private Interview, Sept. 29, 1972.

<sup>141</sup>Neville Squire, Local Worker, Private Interview, Sept. 30, 1972.

<sup>142</sup>Ledgers, Central Committee for the Development of Progress in the Eastport Peninsula.

<sup>143</sup>Interview, with the fisherman giving boat rides, Sept. 26, 1972.

<sup>144</sup>Interview, operators of home bakeries, Sept. 19 to Sept. 30, 1972.

<sup>145</sup>Eastport Peninsula Newsletter, December 1970, p. 4.

<sup>146</sup>John Bull, Private Interview, Sept. 29, 1972.

<sup>147</sup>This estimate, as based on the \$25,000, 1971 increase in Co-op sales due to tourism, claims that at least another \$70,000 has been realized from tourist sales in the area. After all, the Manager feels that the Co-op sales have increased in 1968, 1969, 1970, and 1972. Furthermore, the other store managers in the area, three of which have larger stores than the Co-op claim that increases have occurred during the same period. Thus, the \$70,000 estimate of increased sales, seems reasonable.

<sup>148</sup>The 267% was derived by dividing the initial cost of the development program, \$45,516.75 into the direct benefit, \$123,108.00.

<sup>149</sup>The Eastport area has experienced a 6.38% net increase in population growth during the 1966-1971 period. The actual area increase was 4.5%, but Canada Census area number 9, which encompasses Eastport, featured a 1.88% decrease, thus accounting for a 6.38% increase of Eastport area. These data were obtained from Statistics Canada, Census Division.

<sup>150</sup>This figure was calculated by dividing the development cost of, \$99,955.98, into the development benefit of \$199,376.00.

<sup>151</sup>A concise net cost-benefit analysis was rendered impossible because the individual project operators refused to divulge an accurate account of their cost and benefit of operation.

<sup>152</sup>Mr. Fred Evans, former Director of Rural Development of the Newfoundland Department of Community and Social Development claimed that Earle's of Fogo and the Yellow Fish Company of Seldom withdrew for this reason. He bases his claim on the Noah Associates' Fogo Report, p. 7.

<sup>153</sup>The population of Fogo Island declined from 4470 in 1961 to 4430 in 1966. These data were obtained from Statistics Canada, Census Division.

<sup>154</sup>These data were obtained from the files of the Resettlement Division, Newfoundland Department of Community and Social Development.

<sup>155</sup>These data were obtained from the files of the Newfoundland Department of Social Assistance.

<sup>156</sup>1966 payments totalled \$166,047.42. Ibid.

<sup>157</sup>These data were obtained from the provincial electoral rolls of Fogo district for the year 1966.

<sup>158</sup>These per capita annual incomes were calculated by dividing the number of fishermen into the total value of fish landings of Fogo Island. The data were supplied by the federal Department of Fisheries.

<sup>159</sup>DeWitt, Robert L., "Public Policy and Community Protest: The Fogo Case," p. 26.

<sup>160</sup>Fred Evans, Private Interview, July 25, 1972.

<sup>161</sup>Ibid.

<sup>162</sup>Fogo Files: Department of Community and Social Development.

<sup>163</sup>Ibid.

<sup>164</sup>Ibid.

<sup>165</sup>Ibid.

<sup>166</sup>D.R.E.E.: Distribution by Province of Actual Expenditures on all programs, 1969-70 to 1971-72.

<sup>167</sup>Op. cit.

<sup>168</sup>Ibid.

<sup>169</sup>Ibid.

<sup>170</sup>This population of Fogo Island decreased from 4430 in 1966 to 4072 in 1971. These data were obtained from Statistics Canada, Census Division.

<sup>171</sup>The following chart is an indication of the assisted resettlement off Fogo Island.

Year	Number of Applications Approved	Number of People Leaving
1967	9	65
1968	35	178
1969	23	102
1970	8	17
1971	1	2
1972	0	0
<b>TOTALS</b>	<b>76</b>	<b>364</b>

This data was obtained from the files of the Resettlement Division Department of Community and Social Development.

<sup>172</sup>Ibid.

<sup>173</sup>Interview, Mr. Ken Harnum, July 25, 1972.

<sup>174</sup>The following table shows the decline in the short-term social assistance caseload for the month of November.

Year	Number of Cases	Annual Payment
1966	217	\$166,047.42
1967	257	\$259,250.00
1968	165	\$179,816.00
1969	132	\$139,270.17
1970	136	\$159,327.06
1971	112	\$153,349.09

These figures were obtained from the files of the Department of Social Assistance.

<sup>175</sup>Ibid.

<sup>176</sup>These calculations were based on the above table.

<sup>177</sup>These data were obtained from the 1971 Electoral Rolls for Fogo District.

<sup>178</sup>The following table records the increase in the per capita Fogo Island income.

Year	Average Income
1967	\$ 586.74
1968	1044.09
1969	711.88
1970	1115.39
1971	1489.60

These data were obtained from the statistics of the federal Department of Fisheries.

<sup>179</sup>Files, Fogo Island Shipbuilders and Producers Co-operative Ltd.

<sup>180</sup>Joe Burden, Engineer, Canadian Department of Public Works, Private Interview, October 15, 1972.

<sup>181</sup>These data were obtained from Mr. Clarence Knight, Deputy Minister of Highways, October 10, 1972.

<sup>182</sup>Mr. Herb Gaudie, Private Interview, Sept. 28, 1972.

<sup>183</sup>Ed Breen, D.R.E.E., programmer, Private Interview, February 16, 1972.

<sup>184</sup>Fogo Files, Department of Community and Social Development.

<sup>185</sup>Stan Kinden, Local Worker, Private Interview, July 12, 1972.

<sup>186</sup>Ibid.

<sup>187</sup>Interview with the manager of Pat Miller's store in Fogo, Sept. 4, 1972.

<sup>188</sup>George Oake, Mayor of Fogo, Private Interview, Sept. 1, 1972.

<sup>189</sup>Stan Kinden, Private Interview, August 30, 1972.

<sup>190</sup>Ibid.

<sup>191</sup>Files, Fogo Island Improvement Committee.

<sup>192</sup>Ibid.

<sup>193</sup>These data are based on this researcher's observations and interviews this summer.

<sup>194</sup>Ibid.

<sup>195</sup>Ibid.

<sup>196</sup>Ibid.

<sup>197</sup>Ibid.

<sup>198</sup>The following chart records the effect of the shipyard.

Year	Number of Boats	Number of Jobs	Amount Paid Out in Labour
1968	4	18	\$36,466.83
1969	4	18	38,987.00
1970	4	18	29,285.00
1971	6	30	97,323.00
1972	6	30	92,000.00
Totals	24	114	\$294,061.83

These data were obtained from the files of the Fogo Island Co-operative.

<sup>199</sup>Ibid.

<sup>200</sup>An estimate of the extra income added to the Fogo Island fishermen as a result of the development program will be based on the following data of the value of the annual fish landings.

1967	-	\$482,019
1968	-	753,170
1969	-	457,071
1970	-	736,145
1971	-	735,872
1972	-	550,000

These data were obtained from the Federal Department of Fisheries.

<sup>201</sup>These figures are based on the following table.

Year	NUMBER OF JOBS			Amount Paid Out in Labour
	Full Time	Part Time	Total	
1968	30	30	60	\$40,429.98
1969	40	30	70	103,846.
1970	60	40	100	120,540.
1971	60	40	100	189,914.
1972	30	20	50	120,000.
Totals	220	160	380	\$574,729.98

These data were obtained from the annual audits of the Fogo Island Shipbuilders' and Producers' Co-operative.

<sup>202</sup>The average income per Fogo Island fishermen rose from \$586.74 in 1967 to \$1489.60 in 1971. These data were obtained from the federal Department of Fisheries.

<sup>203</sup>The welfare officer stated that resettlement had a slight effect on the decrease in welfare payments. Some of the extra government expenditures, especially the \$25,000 from the office of the premier lead one to believe that the 1971 election had an influence on the money spent on Fogo Island.

<sup>204</sup>This 736% return was calculated by dividing the \$1,690,854.81 benefit by the \$216,064.42 cost.

<sup>205</sup>Address by the Honourable Frank Moores, Premier of Newfoundland, at a Dinner Sponsored by the Comfort Cove-Newstead Agricultural Society, October 20, 1972, p. 2.

<sup>206</sup>A.R.D.A. Canada-Newfoundland: Federal Provincial Rural Development Agreement 1971-1975; Appendix A, Part IV; Rural Development.

<sup>207</sup>Stratford Canning, R.D.A. program development co-ordinator, Private Interview, February 20, 1973.

<sup>208</sup>Ibid.

<sup>209</sup>Fred Evans, Executive Director, R.D.A.; Private Interview, February 20, 1973.

<sup>210</sup>Ibid.

<sup>211</sup>Stratford Canning, Fred Evans, Private Interview, February 20, 1973.

<sup>212</sup>Ibid.

<sup>213</sup>Ibid.

<sup>214</sup>Stratford Canning, Private Interview, February 20, 1973.

<sup>215</sup>Ibid.

<sup>216</sup>Summation of Activities of R.D.A. to January 25, 1973. The following table lists these jobs.

<sup>217</sup>Ibid.

<sup>218</sup>Ibid.

<sup>219</sup>The Rural Development Authority was initially granted \$1 million. Mr. Reid requested another million on January 22, 1973 and still another similar amount on January 27, 1973. This data was obtained from the St. John's Evening Telegram, "Rural Development Authority Seeking Another \$1 Million," January 27, 1973, p. 3.

<sup>220</sup>St. John's Evening Telegram, "R.D.A.--An Unqualified Success," February 16, 1973, p. 1.



## SUMMATION OF ACTIVITIES OF RURAL DEVELOPMENT AUTHORITY

TO DATE January 25, 1973

Total Number of Businesses helped by Type, New Jobs assisted or created and cost by business sector.

Industry Sector	Number of Firms	Number of New Jobs Created or Assisted	Cost (Loans Approved)
Sawmilling	114	630	\$1,074,474
Barrel Manufacturing	12	7	5,000
Farm Expansion	5	10	33,345
Fish Processing	4	27	26,900
Paper Manufacturing	1	3	10,000
Food Processing	2	39	20,000
Boat Building	8	64	66,000
Pulpwood Harvesting	17	146	145,000
Finished Lumber	3	16	25,000
Casket Manufacturing	1	4	10,000
Shoe Repair	1	2	6,700
Handicrafts	1	1	5,000
Transport	1	4	10,000
Woodworking	8	25	69,000
Blueberry Farming	2	4	10,000
Rustic Fencing	1	2	10,000
Machine & Construction Servicing	3	9	13,500
Maringe Engine Repair	1	2	5,000
Shoe/Boot Manufacturing	1	3	6,100
Marine Refrigeration Sales & Service	1	6	10,000
<b>Totals</b>	<b>236</b>	<b>1035</b>	<b>\$1,572,519</b>

## FOOTNOTES

### CHAPTER VI

<sup>1</sup>Atlantic Development Council, A Strategy for the Development of the Atlantic Region, p. 6.

<sup>2</sup>James A. McGrath, "Notes for a Speech to Atlantic Conference, 1971," p. 9.

<sup>3</sup>Op. cit., p. 13.

<sup>4</sup>Ibid., p. 13.

<sup>5</sup>James McGrath, Hansard, March 20, 1969, p. 6896.

<sup>6</sup>Op. cit., p. 13.

<sup>7</sup>A.P.E.C., The Atlantic Economy: Fifth Annual Review, p. 101.

<sup>8</sup>The A.R.D.A. III rural development program was announced on March 1, 1973. This five year agreement (1972-1977) is designed to increase incomes and create employment in rural areas through growth in the agricultural industry, as well as to improve the agricultural skills of farm operators and increase the volume and value of agricultural production in the province. The total cost of this agreement is \$15.951 million, of which the federal government, through D.R.E.E. contributes \$7.944,436 million. The \$25 million amendment to the Second Special Areas Agreement was announced in March 1973, as well. Furthermore, a fishery agreement, similar to the above agricultural one is in the process of being negotiated. Ed Breen, Newfoundland D.R.E.E. program co-ordinator, Private Interview, March 30, 1973.

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#### C. Newspaper Articles

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### A. Eastport Area

#### 1. Government Documents

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Federal Department of Fisheries. Fish landings, men, boats, and gear, by community, Eastport Area, 1963 to 1971.

Department of Social Services and Rehabilitation-Social Welfare records for the Eastport area, 1969 to 1972.

Electoral Rolls, Districts of Bonavista North - Bonavista South, 1966 and 1971. Obtained from the Provincial Electoral Office.

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### B. Fogo Island

#### 1. Government Documents

Files of the Newfoundland Department of Community and Social Development regarding Fogo Island 1963 to 1972.

Federal Department of Fishing. Fish landings, men, boars and gear, by community on Fogo Island, 1963 - 1971.

Department of Social Services and Rehabilitation Social Welfare records for Fogo Island, 1966 to 1972.

Electoral Rolls, District of Fogo Island, 1966 and 1971, obtained from Provincial electoral office.

Statistics Canada. Census of Fogo Island by Community, 1951 to 1971.

## 2. Files of Other Bodies

Files of Fogo Island Improvement Committee--1958 to 1972.

Financial Records, of Fogo Island Shipbuilders' and Producers' Co-op--1968 to 1972.

Files of Newfoundland Co-operative Services re: Fogo Island--1966 to 1972.

## 3. Secondary Sources

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## 3. INTERVIEWS

### A. Government Officials

Breen, Ed. Newfoundland DREE Program Co-ordinator, February 16, 1973.

Canning, Stratford. Rural Development Authority, program development co-ordinator, February 23, 1973.

Dunn, Eric. Chief of Intelligence Division, Fisheries and Marine Branch, Federal Department of the Environment, March 23, 1973.

Evans, Fred. Executive Director, Rural Development Authority, February 23, 1973.

- MacDonald, Dr. Douglas. Former Director of Natural Resources Planning, Newfoundland Department of Community and Social Development, February 19, 1973.
- Maloney, Aiden. Former Minister, Department of Community and Social Development, December 15, 1972.
- McGrath, James. P.C. Member of Parliament for St. John's East, February 26, 1972.
- Miller, Jim. Newfoundland Director of the DREE, December 14, 1972.
- Ross, Brian. Newfoundland DREE programmer, March 23, 1972.
- Rowe, William. Former Minister of Community and Social Development, December 14, 1972.
- Sametz, Zenon. Former Deputy Minister of the Newfoundland Department of Community and Social Development, December 12, 1972.
- Street, James. Newfoundland DREE RDIA Officer, March 20, 1973.
- Traverse, Russ. Director of Extension, Agricultural Branch, Newfoundland Department of Forestry and Agriculture, March 25, 1973.
- Van Es, Peter. Former Deputy Minister, Newfoundland Department of Community and Social Development, December 14, 1972.

## B. Eastport Area

### 1. By Resource Adjustment Project

#### (a) Local worker:

Squires, Neville. July 5, 1972, September 19, 1972, September 30, 1972.

#### (b) Fishery Resource Adjustment

Lobster Pool--Turner, Willis, September 30, 1972.

Salt fish shed--King, Calvin, September 30, 1972.

Smokehouses--Oldford, Fred, September 24, 1972.

Heffern, A. September 26, 1972.

#### (c) Agriculture Resource Adjustment

Greenhouses and strawberry growing--Squires, Sam, September 20, 1972.

Squires, Henry, September 30, 1972.



Oldford, Harvey, September 21, 1972.  
 Brown, Aubrey, September 21, 1972.  
 Hapgood, Norman, September 21, 1972.  
 Lane, Abe, September 23, 1972.  
 Hancock, Melvin, September 23, 1972.

Vegetable marketing centre--Brown, Marie, September 23, 1972.

Peet Bog Pit Development--Hapgood, Pierce, President Agriculture Society,  
 September 22, 1972

Community Bogland--Hapgood, Pierce,  
 Brown, Aubrey, and other men using it mentioned in  
 the greenhouses.

Blueberry development--Holloway, Idley, merchant at Glovertown,  
 September 22, 1972.

(d) Tourism

Oldford, Shirley, worker at Festival center, July 6, 1972.

The local worker was also interviewed at length on this subject.  
 The Hefferns, Salvage Museum, September 22, 1972.

(e) General

Bradley, Greg, Wes. Bradley and Brothers, September 29, 1972.

Brown, Andrew, boat rides, September 26, 1972.

Bull, John, Eastport Co-op store, September 29, 1972.

Bull, Ches, Vice-President of Central Committee, September 19, 1972.

Cook, Welfare Officer, for Eastport area at Glovertown, September 22, 1972.

Goudie, H. W. Newfoundland Fisheries Development Authority, September 27,  
 1972.

Hancock, Dot. Mrs. Don Hancock's Shop, September 30, 1972.

Oldford, Fred. President of Central Committee, July 1, 1972.

Powell, Bert. Sea Side Meats, September 21, 1972.

Mr. Rolls, Federal Fisheries Officer, September 27, 1972.

Samson, Bert. Samson's Supermarket, September 30, 1972.

Traverse, Russ. Newfoundland Department of Agriculture, October 2, 1972.

### C. Fogo Island

The interviews are set forth in a general fashion with the person's significance being listed.

Anthony, Norman. Fogo Transport Company--ferry operator, September 4, 1972.

Coffin, George. Principal--new Fogo high school, September 4, 1972.

Coffin, Neil. Accounting department of Fogo Island Shipbuilders and Producers' Co-operative, August 30, 1972.

Collins, Kitch. Supervision--Lions project in Fogo Island Park, August 30, 1972.

Dawe, Richard. Secretary--Fogo Island Improvement Committee, August 23, 1972.

Decker, Jim. Foreman, Fogo Island Shipbuilding yard, July 11, 1972.

Diamond, Bill. Manager, Seldom Co-op Plant, August 20, 1972.

Dibbon, Cal. Newfoundland Co-operative Services--Director of Management Supervision of Fogo Island Shipbuilders and Producers' Co-operative, July 14, 1972, August 14, 1972.

Earle, Fred. Memorial University Extension Service--Fogo field worker, September 28, 1972.

Evans, Fred. Executive Director, Rural Development Authority--Department of Community And Social Development, July 20, 1972, and September 15, 1972.

Foster, Phyllis. Manager--Fogo Island Motel, August 22, 1972.

Goodland, Jim. Office Manager--Fogo Island Co-op, August 22, 1972.

Kinden, Stan. Fogo Island Improvement Committee Local worker and part time extension worker, July 11, 1972, and September 1, 1972.

Le Fresne, Calvin. Welfare Officer, Fogo Island, August 15, 1972.

McKenna, Brendan. Merchant, Island Harbour, August 21, 1972.

McKenna, Gerald. Merchant, Island Harbour, August 21, 1972.

Miller, Captain Paddy. Operator, Fogo Island Ferry, September 4, 1972.

Oake, George. Mayor of Fogo Town, September 2, 1972.

Penton, Tom. Supervisor, Joe Batt's Arm Co-op Plant, August 24, 1972.

Roberts, Don. Manager, Fogo Island Co-op, September 1, 1972.

Shirley, Lance. Director of Rural Development in Fogo area, Department  
of Community and Social Development, August 30, 1972.

Walbourne, Ed. Merchant, Fogo town, August 12, 1972.

**APPENDIX A**

**Indicators of Regional Economic Disparity:  
Unemployment Rates and Per Capita Personal Income**

## 1. Unemployment Rates 1949-1971

YEAR	NEWFOUNDLAND	CANADA	NEWFOUNDLAND % CANADA
1949	12.4	3.3	370
1950	12.4	3.8	320
1951	6.9	2.6	260
1952	5.9	3.0	198
1953	5.9	3.0	198
1954	6.0	4.6	130
1955	6.7	4.4	152
1956	7.5	3.4	220
1957	10.8	4.6	230
1958	18.9	7.0	270
1959	19.8	6.0	330
1960	17.1	7.0	254
1961	20.5	7.1	289
1962	17.5	5.9	297
1963	14.2	5.5	258
1964	10.4	4.7	221
1965	11.3	3.9	289
1966	7.9	3.6	219
1967	8.4	4.1	205
1968	9.7	4.3	226
1969	10.3	4.7	219
1970	10.8	5.9	181
1971	11.4	6.4	178
1972	12.3	6.3	195
January 1973	18	7.7	234

The above unemployment rates are annual averages, obtained from the files of Statistics Canada.

## 2. Per Capita Personal Incomes 1950-1971

Year	Newfoundland	Canada	Newfoundland % Canada
1950	\$507	\$978	52
1951	571	1120	51
1952	612	1193	51
1953	658	1227	54
1954	656	1199	55
1955	682	1272	54
1956	749	1361	55
1957	779	1388	56
1958	794	1445	55
1959	823	1486	56
1960	877	1521	58
1961	932	1613	59
1962	951	1720	58
1963	998	1802	56
1964	1070	1898	57
1965	1154	2066	56
1966	1274	2283	57
1967	1398	2461	57
1968	1489	2662	56
1969	1617	2915	56
1970	1784	3092	59
1971	2211	3405	61

The above data were obtained from Statistics Canada.

APPENDIX B

The Act Respecting D.R.E.E.

An Act respecting the Department of  
Regional Economic Expansion

SHORT TITLE

- Short title 1. This Act may be cited as the Department of Regional Economic Expansion Act.

INTERPRETATION

- Definitions 2. In this Act
- "Atlantic region" "Atlantic Region" means the region comprising the Provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland;
- "Council" "Council" means the Atlantic Development Council established by section 11;
- "Minister" "Minister" means the Minister of Regional Economic Expansion;
- "special area" "special area" means an area that is a special area by virtue of an order made by the Governor in Council pursuant to section 6. 1968-69, c. 28, s. 20.

DEPARTMENT CONSTITUTED

- Department established 3. (1) There shall be a department of the Government of Canada called the Department of Regional Economic Expansion over which the Minister of Regional Economic Expansion appointed by commission under the Great Seal shall preside.
- Minister (2) The Minister holds office during pleasure and has the management and direction of the Department of Regional Economic Expansion. 1968-69, c. 28, s. 21.
- Deputy Minister 4. The Governor in Council may appoint an officer called the Deputy Minister of Regional Economic Expansion to be the deputy head of the Department of Regional Economic Expansion and to hold office during pleasure. 1968-69, c. 28, s. 22.



DUTIES, POWERS AND FUNCTIONS OF  
THE MINISTER

- Duties of Minister
5. The duties, powers and functions of the Minister extend to and include
- (a) all matters over which the Parliament of Canada has jurisdiction, not by law assigned to any other department, branch or agency of the Government of Canada, relating to economic expansion and social adjustment in areas requiring special measures to improve opportunities for productive employment and access to those opportunities; and
  - (b) such other matters over which the Parliament of Canada has jurisdiction relating to economic expansion and social adjustment are as by law assigned to the Minister. 1968-69, c. 28, s. 23.

SPECIAL AREAS

- Designation of special areas
6. The Governor in Council, after consultation with the government of any province, may by order designate as a special area, for the period set out in the order, any area in that province that is determined to require, by reason of the exceptional inadequacy of opportunities for productive employment of the people of that area or of the region of which that area is a part, special measures to facilitate economic expansion and social adjustment. 1968-69, c. 28, s. 24.
- Plans for economic expansion
7. (1) In exercising his powers and carrying out his duties and functions under section 5, the Minister shall
- (a) in cooperation with other departments, branches and agencies of the Government of Canada, formulate plans for the economic expansion and social adjustment of special areas; and
  - (b) with the approval of the Governor in Council, provide for coordination in the implementation of those plans by departments, branches and agencies of the Government of Canada and carry out such parts of those plans as cannot suitably be undertaken by such other departments, branches and agencies.

- Cooperation and participation (2) In formulating and carrying out plans under subsection (1), the Minister shall make provision for appropriate cooperation with the provinces in which special areas are located and for the participation of persons, voluntary groups, agencies and bodies in those special areas. 1968-69, c. 28, s. 25.
- General agreements with province 8. (1) The Minister may, in cooperation with any province, formulate a plan of economic expansion and social adjustment in a special area and, with the approval of the Governor in Council and subject to the regulations, enter into an agreement with that province for the joint carrying out of such plan.
- Prior approval of plan (2) Notwithstanding subsection (1), detailed negotiation of any draft agreement under this section shall not be undertaken by or on behalf of the Minister unless the plan to which the draft agreement relates has first been approved by the Governor in Council.
- Provisions in agreements (3) An agreement entered into pursuant to this section may be entered into with one or more provinces in respect of one or more special areas and
- (a) shall provide for the use, where appropriate, of the services and facilities of other departments, branches and agencies of the Government of Canada;
  - (b) may provide for the payment to a province of contributions in respect of the costs of the programs and projects to which the agreement relates that are to be undertaken by the government of the province or any agency thereof or any of those programs or projects; and
  - (c) may provide that Canada and a province may procure the incorporation of one or more agencies or other bodies, to be jointly controlled by Canada and the province, for the purpose of undertaking or implementing programs or projects to which the agreement relates or any part of such programs or projects. 1968-68, c. 28, s. 26.

- Agreements in respect of works or facilities
9. (1) The Minister may, with the approval of the Governor in Council and subject to the regulations, enter into an agreement with any province providing for the payment by Canada to the province of a grant or loan in respect of a part of the capital cost of establishing, expanding or modernizing any work or facility for the economic expansion of a special area.
- Limitation
- (2) No agreement shall be entered into pursuant to subsection (1) unless the Minister is satisfied that the establishment, expansion or modernization of the work or facility is essential to the successful implementation of a plan undertaken pursuant to section 7 or 8 and that assistance is required to enable the work or facility to be established, expanded or modernized. 1968-69, c. 28, s. 27.
- Agreements in respect of commercial undertakings
10. (1) Where the Minister is satisfied that the establishment, expansion or modernization of any commercial undertaking in a special area is essential to the successful implementation of a plan undertaken pursuant to section 7 or 8 and that special assistance is required to enable the undertaking to be established, expanded or modernized, the Minister may, with the approval of the Governor in Council and subject to the regulations, enter into an agreement with the person carrying on or proposing to carry on the commercial undertaking in the special area providing for
- (a) the guarantee, by Canada, of payment of the principal or interest of any loan required to be obtained by that person to enable him to establish, expand or modernize the undertaking;
  - (b) the payment by Canada of a grant or loan in respect of a part of the capital cost of establishing, expanding or modernizing the undertaking; or
  - (c) the payment by Canada of a grant in respect of such part of the costs of bringing into commercial production and operating the new, expanded or modernized undertaking that are incurred within a period not exceeding three years from the date the new, expanded or modernized undertaking is first brought into operation as, in the opinion of the Minister, is attributable to factors associated with the location of the undertaking in the special area.

- Limitation on special assistance (2) An agreement described in subsection (1) shall not provide for special assistance in any amount greater than the amount, as determined by the Minister, that is required to enable the person carrying on or proposing to carry on the commercial undertaking to which the agreement relates to establish, expand or modernize the undertaking in the special area. 1968-69, c. 28, s. 28.

#### ATLANTIC DEVELOPMENT

#### COUNCIL

- Council established 11. There shall be a council to be called the Atlantic Development Council consisting of not more than eleven members to be appointed by the Governor in Council as provided in section 14. 1968-69, c. 28, s. 29.
- Constitution of membership 12. The membership of the Council shall be constituted, after consultation with the governments of the provinces of the Atlantic region and such other persons or organizations as the Minister considers appropriate, in such a manner as to reflect the economic structure of the Atlantic region. 1968-69, c. 28, s. 30.
- Function of Council 13. It is the function of the Council to advise the Minister, in respect of the Atlantic region, on matters to which the duties, powers and functions of the Minister extend and, in particular, to give consideration to, and make reports and recommendations to the Minister on,
- (a) plans, programs and proposals for fostering the economic expansion and social adjustment of the Atlantic region;
  - (b) the feasibility of particular programs and projects and the contribution those programs and projects will make to the economic expansion and social adjustment of the Atlantic region; and
  - (c) such other matters, relating to the duties and functions of the Minister under this Act in respect of the Atlantic region, as the Minister may refer to the Council for its consideration, 1968-69, c. 28, s. 31.
- Appointment of members 14. The members of the Council shall be appointed to hold office during pleasure for such term, not exceeding three years, as will ensure as far as possible the expiration in any one year of the terms of appointment of fewer than half of the members so appointed. 1968-69, c. 28, s. 32.

- Chairman and Vice-Chairman 15. (1) The Governor in Council shall designate one of the members to be Chairman of the Council and one of the members to be Vice-Chairman of the Council, during pleasure.
- Absence, etc., of Chairman (2) In the event of the absence or incapacity of the Chairman of the Council or if the office of Chairman is vacant, the Vice-Chairman has and may exercise and perform all the duties and functions of Chairman. 1968-69, c. 28, s. 33.
- Eligibility for re-appointment 16. A retiring member of the Council is eligible for re-appointment to the Council. 1968-69, c. 28, s. 34.
- Honorarium and travelling and other expenses 17. The members of the Council shall serve without remuneration but
- (a) the Chairman and Vice-Chairman may each be paid such amount per annum as an honorarium as may be approved by the Governor in Council; and
- (b) each member of the Council is entitled to be paid reasonable travelling and other expenses incurred by him while absent from his ordinary place of residence in the course of his duties under this Act. 1968-69, c. 28, s. 35.
- Meetings 18. The Council shall meet at least twice a year at such place in the Atlantic region as the Council considers appropriate or in the city of Ottawa, and may meet at such other times as it deems necessary. 1968-69, c. 28, s. 36.
- Procedure 19. The Council may make rules for the regulation of its proceedings and the conduct of its activities. 1968-69, c. 28, s. 37.
- Staff 20. The Minister shall provide the Council with an officer to be secretary of the Council and, with the approval of the Treasury Board, such other assistance as the Council may require. 1968-69, c. 28, s. 38.
- Regulations 21. The Governor in Council may make regulations
- (a) respecting the factors relating to inadequacy of opportunities for productive employment to be taken into account in determining whether an area or the region of which an area is a part requires special measures to facilitate economic expansion and social adjustment;

- (b) defining, for the purposes of this Act, the expressions "work or facility for the economic expansion of a special area" and "commercial undertaking";
- (c) respecting the factors to be taken into account in determining the form and extent of any special assistance that may be provided in respect of any commercial undertaking pursuant to section 10; and
- (d) generally for carrying out the purposes and provisions of this Act. 1968-69, c. 28, s. 39.

Annual  
Report

22. The Minister shall, on or before the 31st day of January next following the end of each fiscal year or, if Parliament is not then sitting, on any of the first five days next thereafter that Parliament is sitting, submit to Parliament a report showing the operations of the Department of Regional Economic Expansion for that fiscal year. 1968-69, c. 28, s. 40.

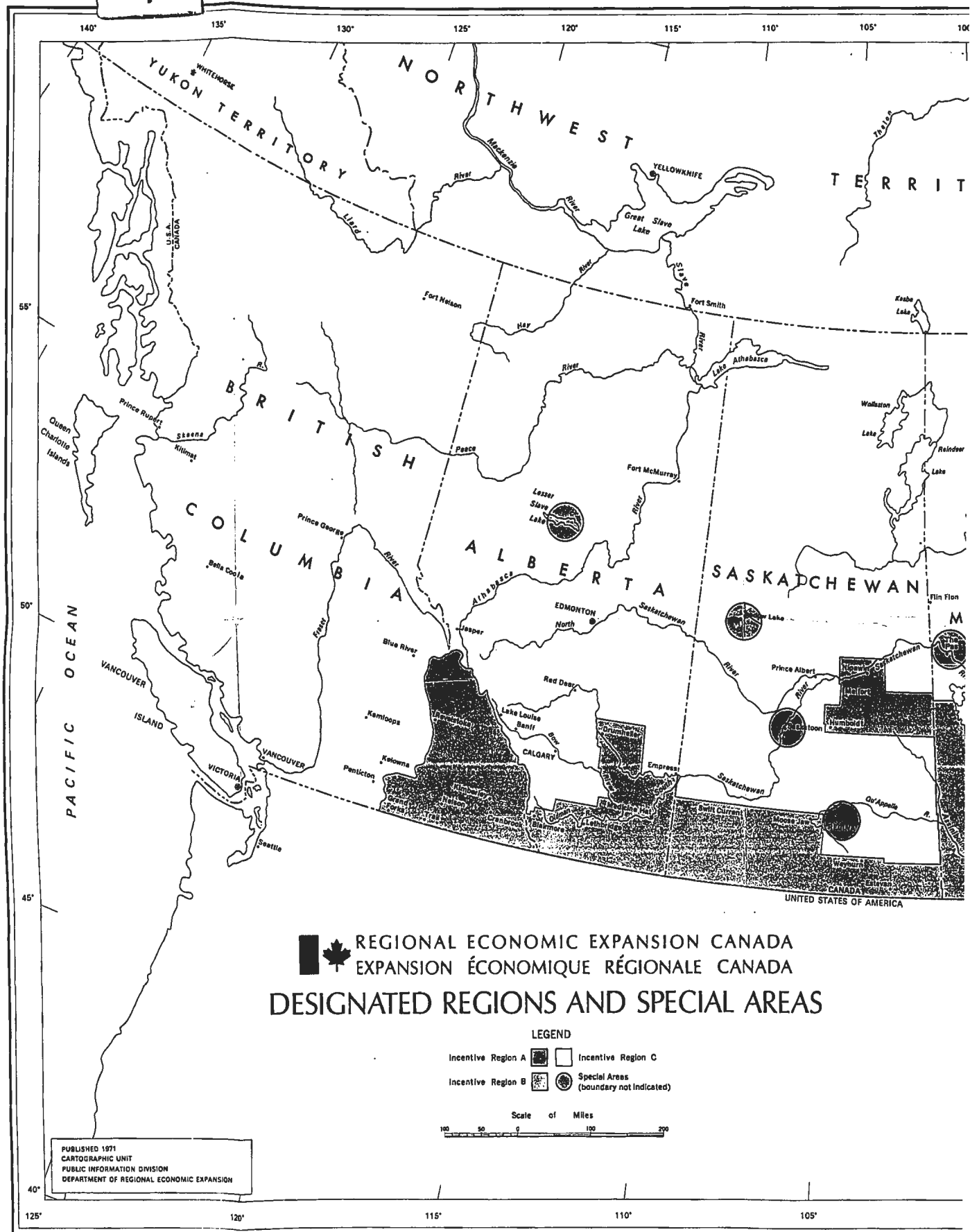
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APPENDIX C

D.R.E.E.'s Industrial Incentives Program

1. Map of R.D.I.A. Designated Regions






**REGIONAL ECONOMIC EXPANSION CANADA**  
**EXPANSION ÉCONOMIQUE RÉGIONALE CANADA**  
**DESIGNATED REGIONS AND SPECIAL AREAS**

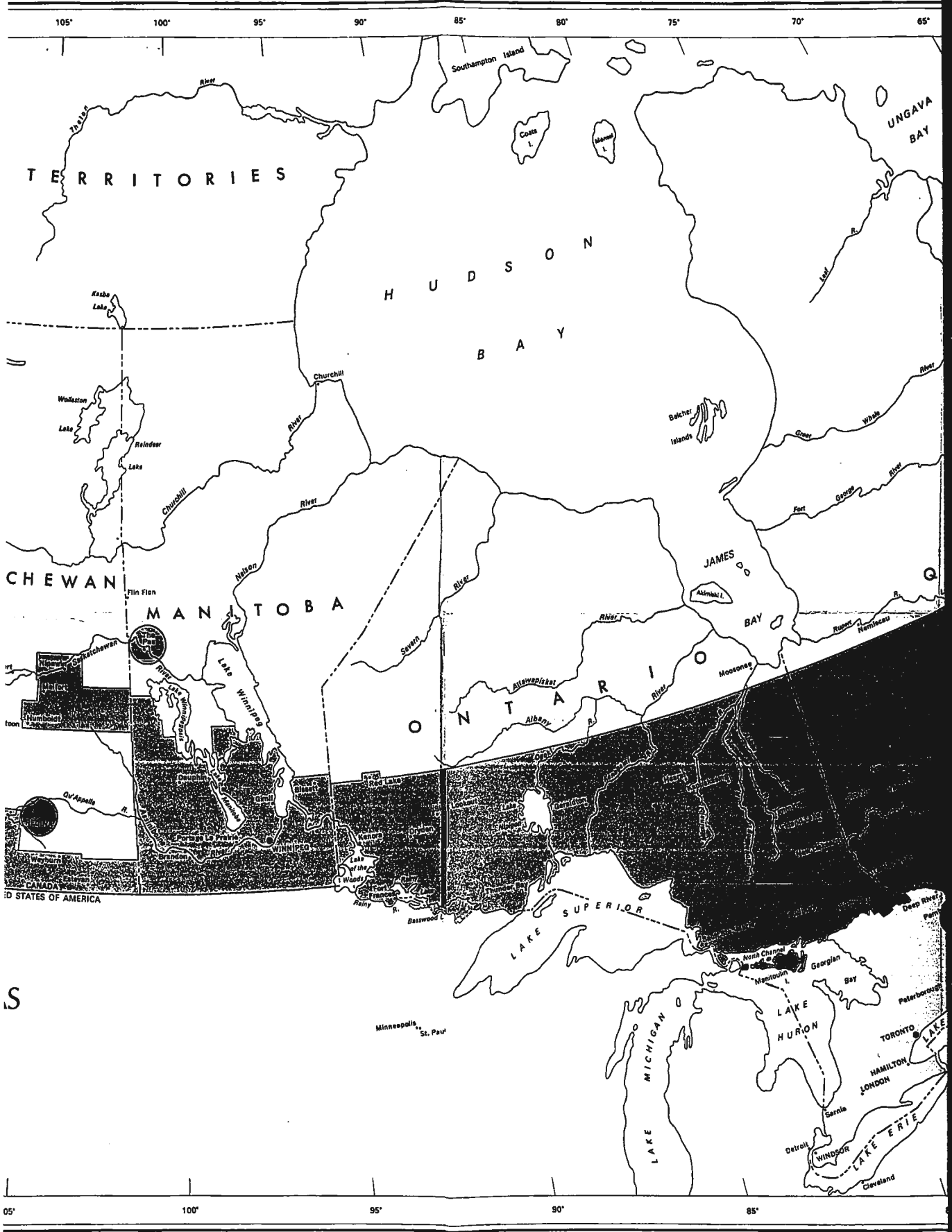
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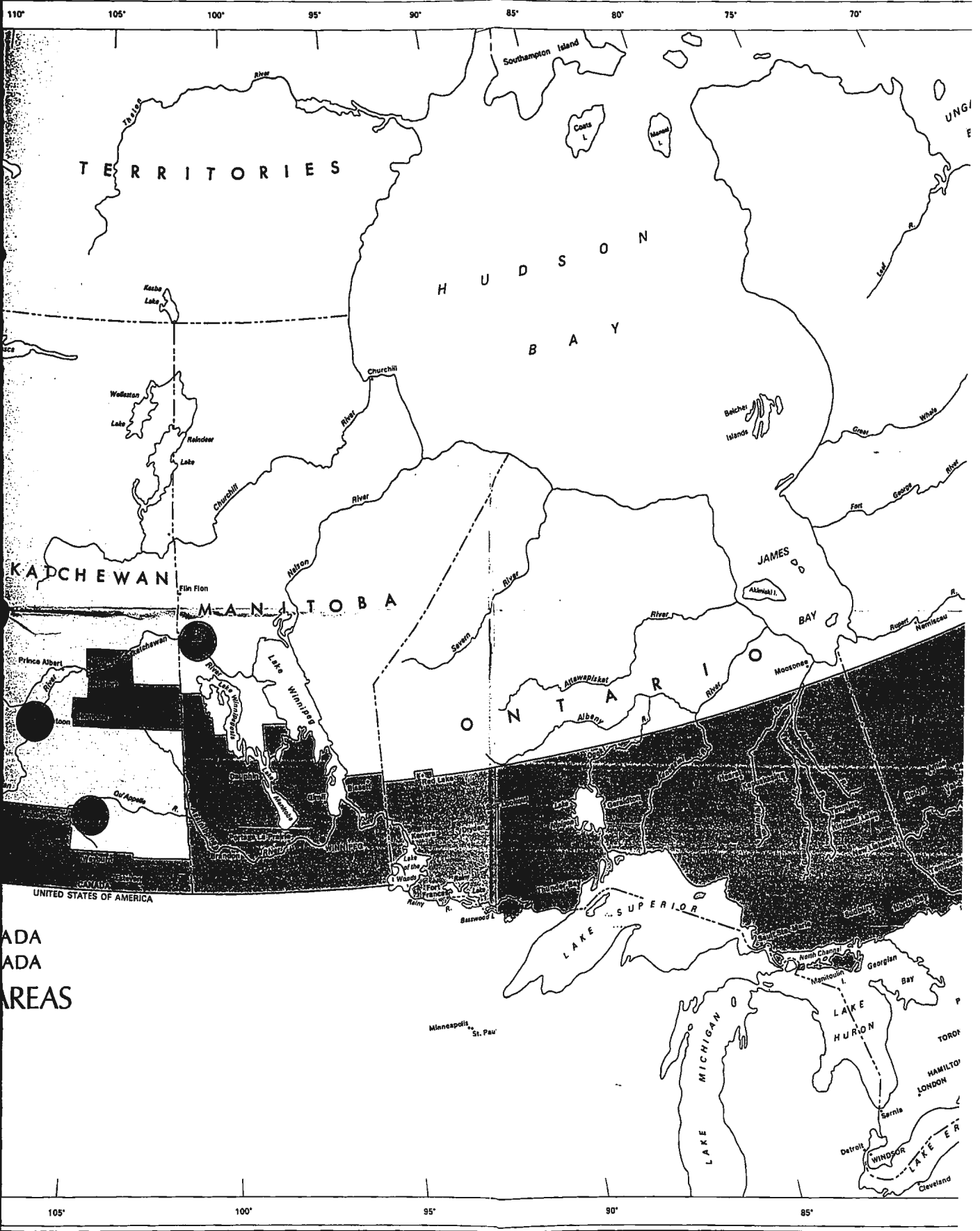
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- Incentive Region B  Special Areas  (boundary not indicated)

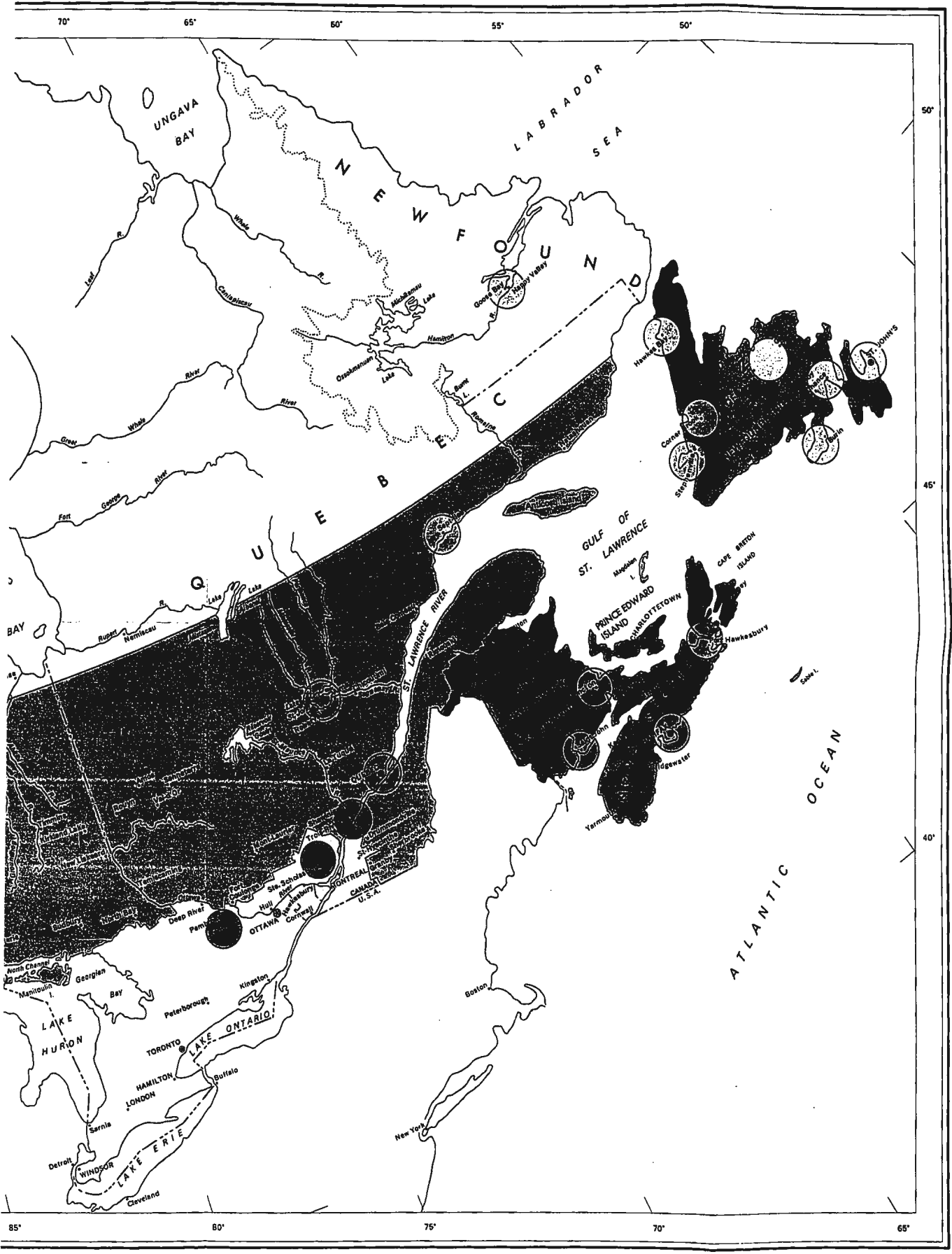
Scale of Miles



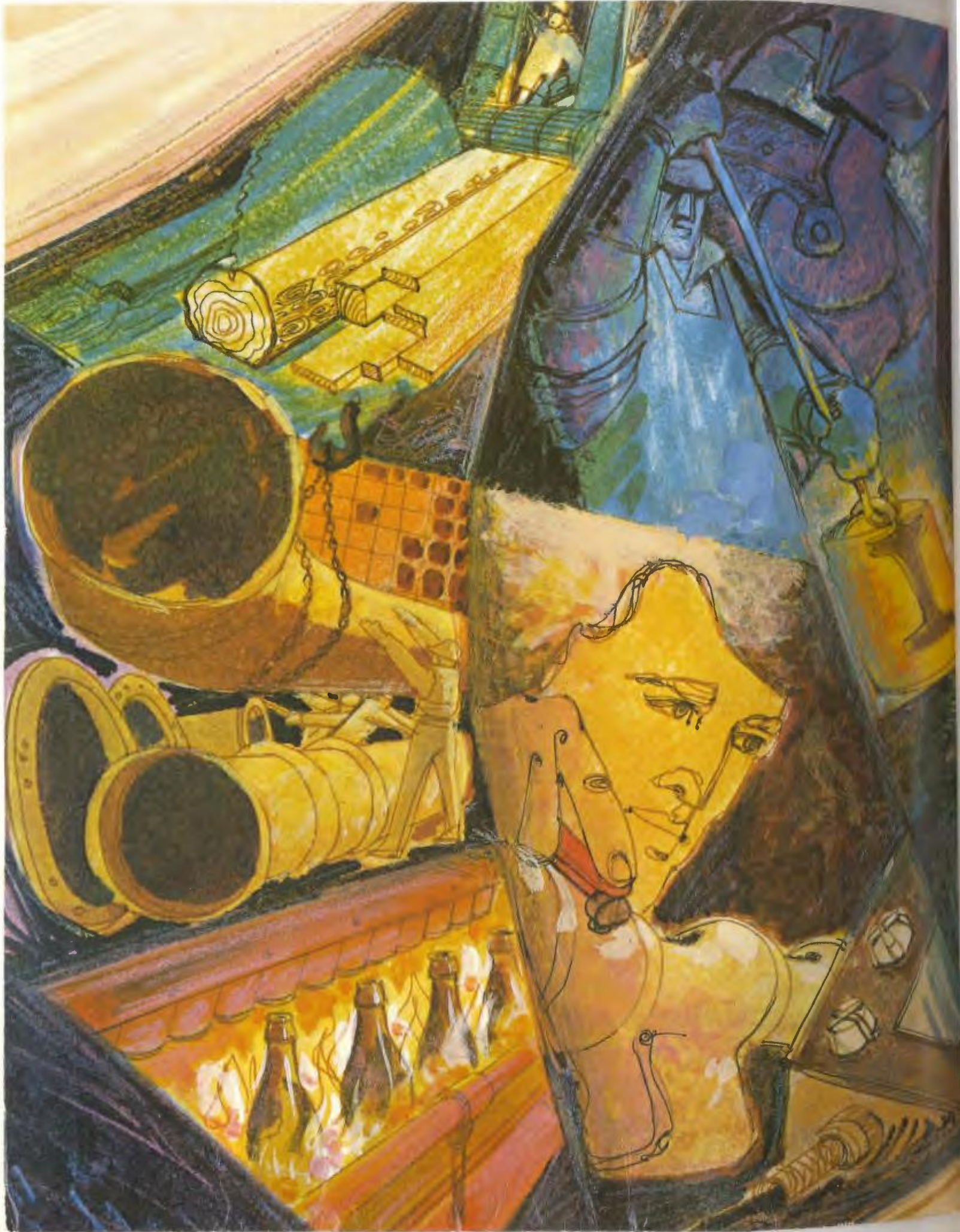
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 DEPARTMENT OF REGIONAL ECONOMIC EXPANSION







Further information available from:  
Industrial Intelligence & Promotion Branch,  
Incentives Division,  
Department of Regional Economic Expansion,  
Ottawa 4, Ontario



## 2. R.D.I.A. offers to Newfoundland

During the period 1970 to January 1973 D.R.E.E. aided sixty-two industries and created 1977 jobs. The following table is an accurate picture of R.D.I.A. activity in Newfoundland showing the company benefiting, the product, the eligible capital cost, the grant, and the number of jobs created:

As of January 11, 1973

COMPANY	PRODUCT	ELIGIBLE CAPITAL COST	GRANT	JOB
Bonavista Cold Storage Co. Ltd., Fermeuse.	Frozen Fish	\$ 540,000	\$ 108,000 (20% of C.C.)	
Brookfield Ice Cream Ltd., St. John's.	Ice Cream	216,000	43,200 (20% of C.C.)	
Job Bros. Co. Ltd., St. John's	Berries, fishmeal and polybags	101,000	64,200 (20% + 4,000 P.J.)	11
Canadian Westinghouse Ltd., St. John's	Electrical equipment	215,000	73,000 (20% + 3,000 P.J.)	10
Pratt Representatives, St. John's	Fruit & vegetables	88,580	33,000 (20% + 2,550 P.J.)	6
Ocean Harvesters Ltd., Old Perlican	Fresh fish	449,034	135,653 (10% + 750 P.J.)	121
John Penney & Sons Ltd., Ramea	Fish	656,000	131,200 (20% of C.C.)	26
Beothic Fish Processors Ltd., Valleyfield	Fish	293,000	115,800 (20% + 1,100 P.J.)	52
Fishery Products Ltd., Burin	Fish	321,000	130,650 (15% + 2,750 P.J.)	30
Green Lantern Wholesalers Ltd., Corner Brook	Vegetables	44,069	6,610 (15% of C.C.)	8
Green Lantern Wholesalers Ltd., Grand Falls	Vegetables	61,453	9,218 (15% of C.C.)	5
To December 31, 1970.		\$ <u>2,985,136</u>	\$ <u>850,531</u> (EXCLUDING DECLINED)	<u>269</u>



COMPANY	PRODUCT	ELIGIBLE CAPITAL COST	GRANT	JOB
RKO Industries Ltd., Stephenville	Resistors & electronic components	\$ 400,100	\$ 311,420 (20% + 1,300 P.J.)	178
Harmon Industries Ltd., Stephenville	Foam Insulation, moulded fiberglass, printing	72,000	38,560 (20% + 3,000 P.J.)	13
Arctic Fishery Products Ltd., South Dildo	Fish processing	352,300	149,210 (20% + 3,750 P.J.)	21
S.T. Jones & Son Ltd., Little Bay Islands	Canned seafoods barrels (Primary combined)	32,500 66,500	6,500 (20% of C.C.) 32,250 (25% + 3,725 P.J.)	16 5
Frelco Limited, Stephenville	Metal manufacturing	136,563	80,484 (15% + 2,400 P.J.)	25
Newfoundland Farm Products Corp., Corner Brook	Beef, poultry, hog and egg processing	1,590,600	613,120 (20% + 5,000 P.J.)	59
Day-Nite Neon Nfld. Ltd., St. John's	Neon signs	180,000	54,000 (30% of C.C.)	5
Port aux Basques Seafoods Ltd., Port aux Basques	New food herring processing	477,000	127,700 (10% + 4,000 P.J.)	20
Geo. Sexton Limited, Kepenkeck Lake, Terra Nova area	Lumber, wood chips, pulpwood	126,100	34,600 (10% + 1,000 P.J.)	22
Pac-Atlantic Ltd., Stephenville	Fish cannery	1,042,000	454,200 (10% + 4,500 P.J.)	80
International Fisheries & Fishmeal Ltd., Stephenville	Fish processing (EXP) (N.F)	47,000 271,000	4,700 55,000 (10% + 3,100 P.J.)	Nil 9
Burgeo Leasing Ltd., National Sea Products Ltd., Halifax, N.S.	Food herring processing	325,000	148,875 (25% + 1,500 P.J.)	45

COMPANY	PRODUCT	ELIGIBLE CAPITAL COST	GRANT	JOBS
Maritime Bedding & Upholstery Co. Ltd., Stephenville	Household furniture & bedding	\$ 142,000	\$ 92,500 (25% + 1,500 P.J.)	38
Pelley-Shaw Nfld. Ltd., Milton, Nfld.	Bricks	246,000	115,200 (20% + 3,000 P.J.)	22
National Sea Products Ltd., St. John's	Fish processing	3,356,000	2,003,400 (15% + 5,000 P.J.)	300
Eric King Fisheries, Burnt Island	Processing of cured, kippered & pickled fish	74,500	29,900 (20% + 1,500 P.J.)	10
Bidgood's Wholesale Ltd., Gould's	Fish processing	72,657	14,531 (20% of C.C.)	2
Reid Products Ltd., Bide Arm, Nfld.	Fish processing	300,800	160,160 (20% + 1,000 P.J.)	100
Saunders Howell Mfg., Ltd., Carbonear	Wooden furniture	259,500	77,850 (30% of C.C.)	20
W. & J. Moores Ltd., Carbonear	Processing of salt- fish	30,700	7,675 (25% of C.C.)	-
Booth Fisheries Canadian Co. Ltd., Fortune	Processing of North Atlantic frozen ground- fish fillets	2,754,800	550,960 (20% of C.C.)	73
Terra Nova Shoe Ltd., Harbour Grace	Shoes	70,968	48,192 (25% + 1,050 P.J.)	29
December 31, 1971.		<u>\$12,427,088</u>	<u>\$5,210,987 (EXCLUDING DECLINED)</u>	<u>1092</u>

COMPANY	PRODUCT	ELIGIBLE CAPITAL COST	GRANT	JOBS
Canada Bay Lumber Co. Ltd., Roddickton	Lumber	\$ 117,000	\$ 65,900 (20% + 2,500 P.J.)	17
Austin Advertising Ltd., St. John's	Neon & plastic signs	71,700	21,510 (30% of C.C.)	6
Bay Bulls Sea Products Ltd., St. John's	Fish processing	68,560	20,568 (30% of C.C.)	48
Ocean Kist Products (1970) Ltd., St. John's	Processing of fish	74,000	73,000 (35% + 1,600 P.J.)	30
Port aux Basques Seafoods Ltd., Port aux Basques	Processing of herring fillets	675,100	168,775 (25% of C.C.)	55
B. C. Packers Ltd., Isle aux Morts	Processing of fish NPE EM	496,080 103,920	171,912 (15% + 2,500 P.J.) 15,588 (15% of C.C.)	39 27
Billard Fisheries Ltd., Margaree, Nfld.	Fish processing	93,000	27,900 (30% of C.C.)	N11
Crystal Candy Co. Ltd., Carbonear, Nfld.	Candy and jams	62,200	29,330 (15% + 2,000 P.J.)	10
Nfld. Quick Freeze Ltd., Witless Bay	Frozen fish products	40,000	12,000 (30% of C.C.)	N11
Gander Lumber Co. Ltd., Gander	Lumber	124,300	52,360 (20% + 2,500 P.J.)	11
Westcott's Limited, St. John's	Aluminum windows & misc. aluminum products	150,000	45,000 (30% of C.C.)	7

COMPANY	PRODUCT	ELIGIBLE CAPITAL COST	GRANT	JOB
Earle Proteins Limited, Carbonear	Fish meal & oil	\$ 495,000	\$ 147,750 (15% + 2,100 P.J.)	35
Dawe's Concrete Products Limited, Bay Roberts	Concrete blocks and bricks	120,000	36,000 (30% of C.C.)	2
Nfld. Iron Works Ltd., Stephenville	Steel Products EM NPE	19,175 55,000	5,752 (30% of C.C.) 24,500 (30% + 4,000 P.J.)	6 2
Quinlan Bros. Ltd., Bay de Verde	Frozen fish fillets	100,630	20,126 (20% of C.C.)	22
Port aux Choix Shipbuilding & Supply, Limited, Port aux Choix	Wooden fishing boats	142,982	68,894 (30% + 2,000 P.J.)	13
A. Northcott Ltd., Lewisporte	Processing of fish	37,000	11,100 (30% of C.C.)	10
Ocean Harvesters Ltd., Harbour Grace	Fish meal & oil	261,373	78,412 (30% of C.C.)	5
Ocean Harvesters Ltd., Harbour Grace	Blueberries	50,000	10,000 (20% of C.C.)	12
Cobb's Arm Lime Ltd., Cobb's Arm	Lime Products	510,000	205,500 (25% + 3,000 P.J.)	26
Berry Bros. Ltd., Argentia	Steel structures and equipment	1,500,000	708,000 (20% + 4,000 P.J.)	102
T. J. Hardy Co. Ltd., Rose Blanche	Processing of fish oil	85,500	20,825 (15% + 2,000 P.J.)	4
M.A. Parsons Ltd., St. John's	Commercial detergents and soap	66,764	31,353 (20% + 3,000 P.J.)	6
Nfld. Forest Products Ltd., Hawkes Bay	Lumber	400,000	120,000 (30% of C.C.)	61
City Paper Supply Co. Ltd., Corner Brook	Paper products	47,150	14,145 (30% of C.C.)	4
Nfld. Leather, Fur & Hide Co. Ltd., Carbonear	Leather products	64,587	47,376 (30% + 2,800 P.J.)	10
To December 31, 1972.		\$ <u>6,031,021</u>	\$ <u>2,253,576</u> (EXCLUDING DECLINED)	<u>570</u>

COMPANY	PRODUCT	ELIGIBLE CAPITAL COST	GRANT	JOBS
American Can of Canada Ltd., St. John's	Metal containers	\$ 1,008,000	\$ 158,300 (10% + 2,500 P.J.)	23
Halliday & Turton Ltd., St. John's	Potato chips	200,000	117,500 (30% + 2,500 P.J.)	23
				<u>46</u>
	January, 1973.			
1970 to January, 1973.	TOTAL TO DATE	<u>\$ 22,651,245</u>	<u>\$ 8,590,894 (EXCLUDING DECLINED)</u>	<u>1,977</u>

## 3. Summary of R.D.I.A. Activity by Special Area

<u>Special Area</u>	<u>No. of R.D.I.A. offers</u>
St. John's	24
Burin	2
Come by Chance	0
Grand Falls	3
Stephenville	7
Corner Brook	2
Hawke's Bay	2
Happy Valley	0
Totals	<hr/> 40

**APPENDIX D**

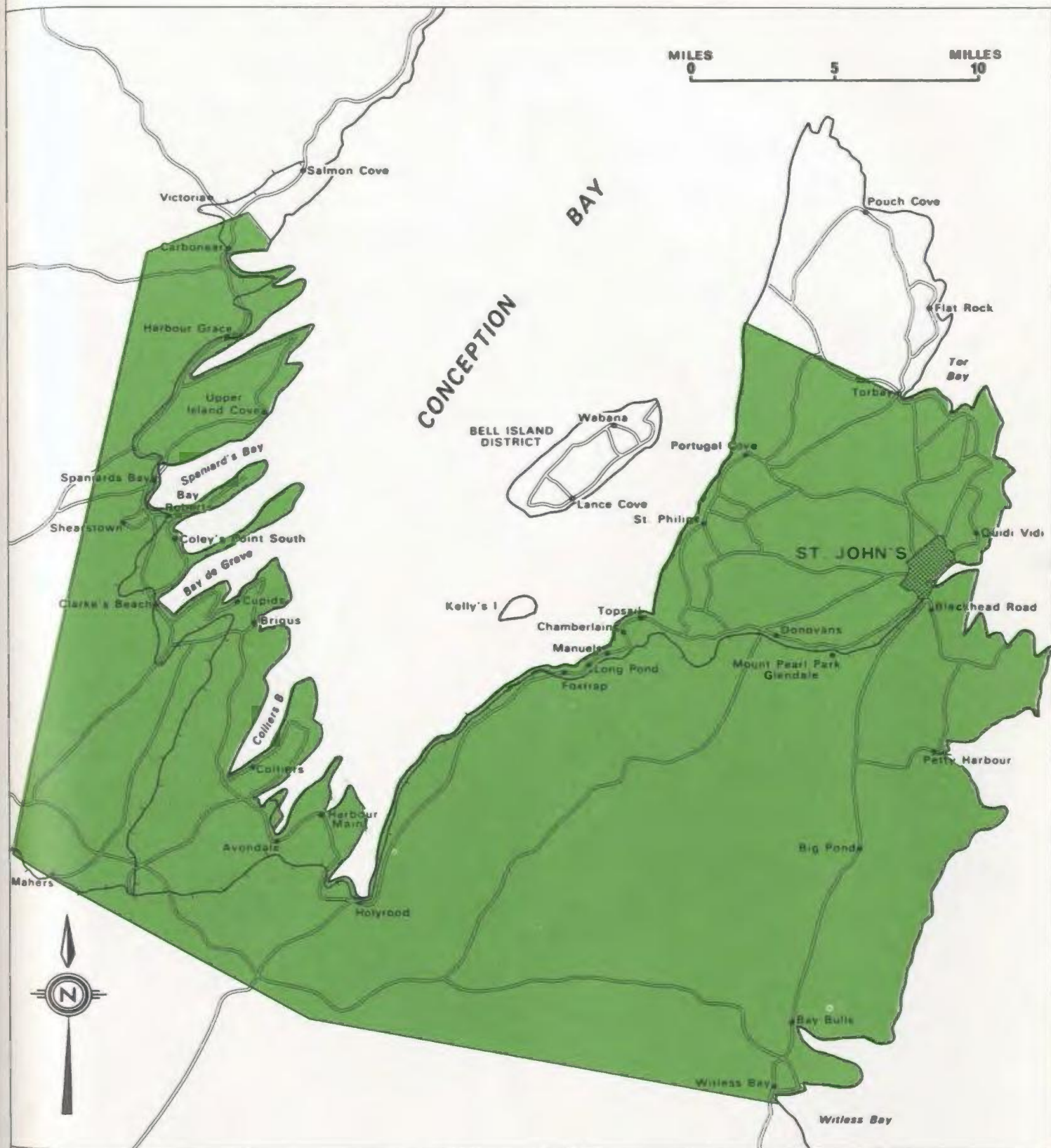
**D.R.E.E.'s Infrastructure Assistance Program in Newfoundland;  
Special Areas and Highways**

1. Special Areas

(a) Maps of Special Areas in Newfoundland



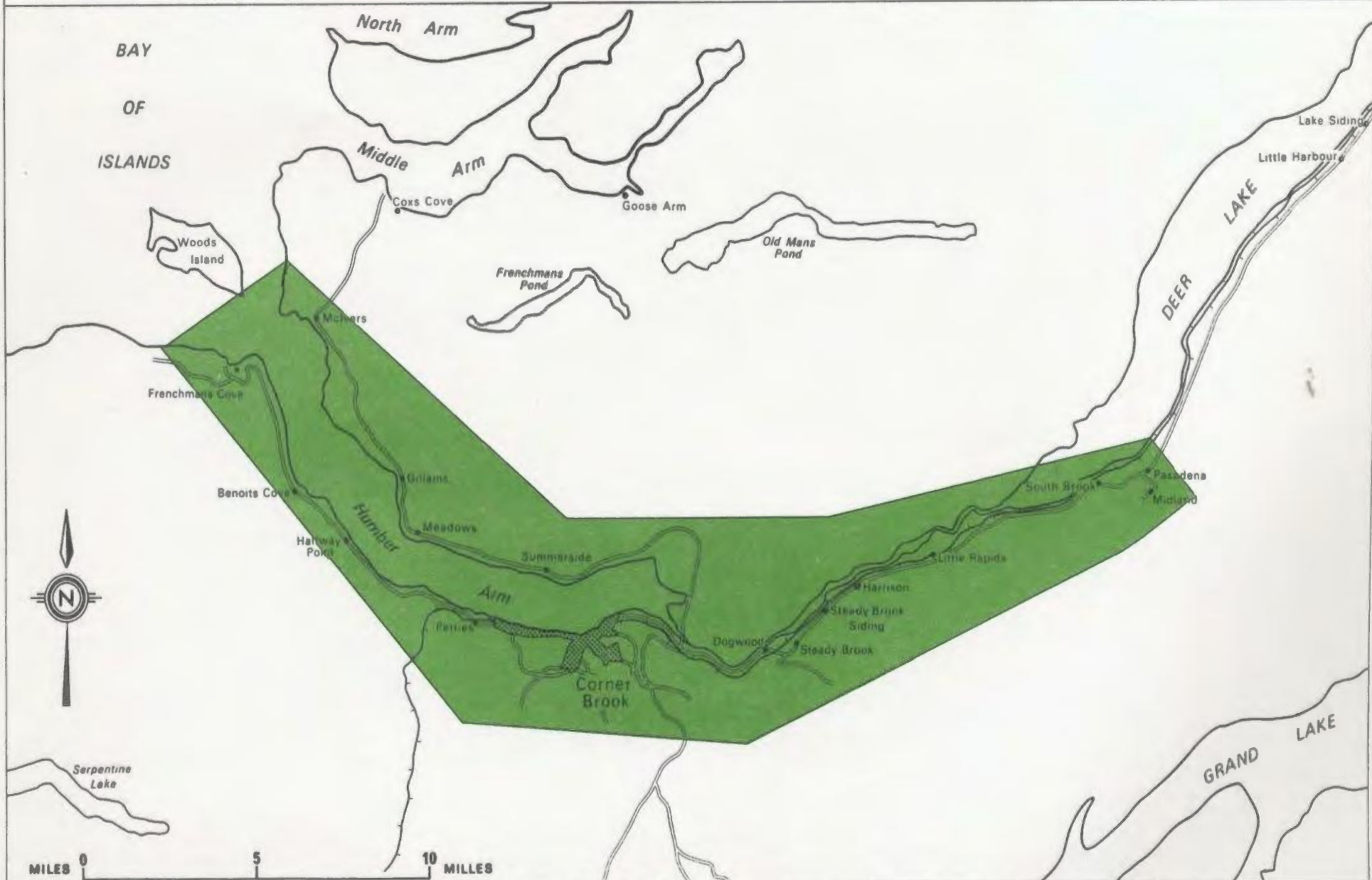
# ST. JOHN'S SPECIAL AREA ZONE SPÉCIALE DE ST-JEAN



PUBLIÉE 1971  
 SOUS - SECTION DE LA CARTOGRAPHIE  
 DIVISION DE L'INFORMATION  
 MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

PUBLISHED 1971  
 CARTOGRAPHIC UNIT  
 PUBLIC INFORMATION DIVISION  
 DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

# CORNER BROOK SPECIAL AREA ZONE SPÉCIALE DE CORNER BROOK

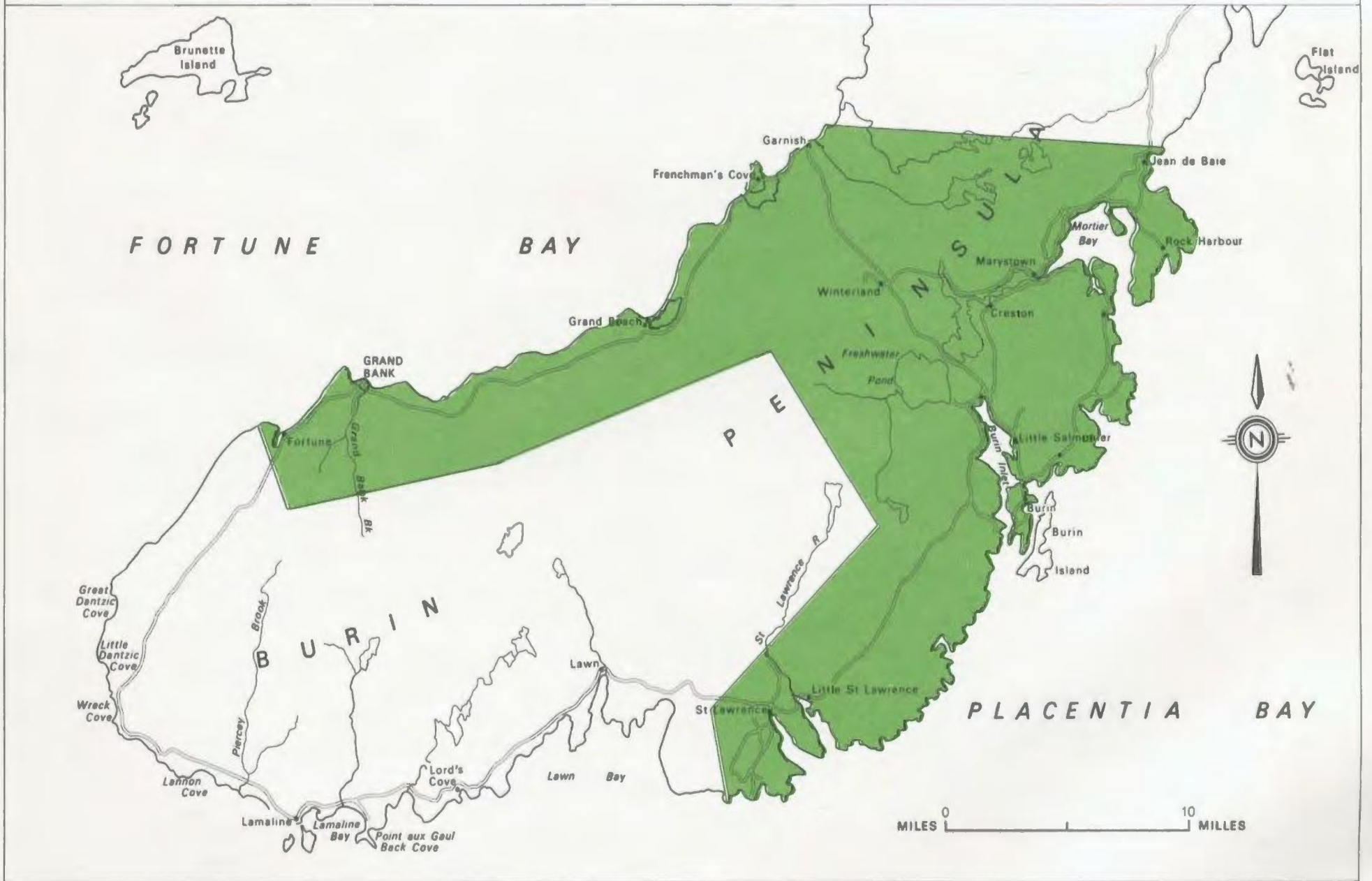


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 DIVISION DE L'INFORMATION  
 MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

PUBLISHED 1971  
 CARTOGRAPHIC UNIT  
 PUBLIC INFORMATION DIVISION  
 DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

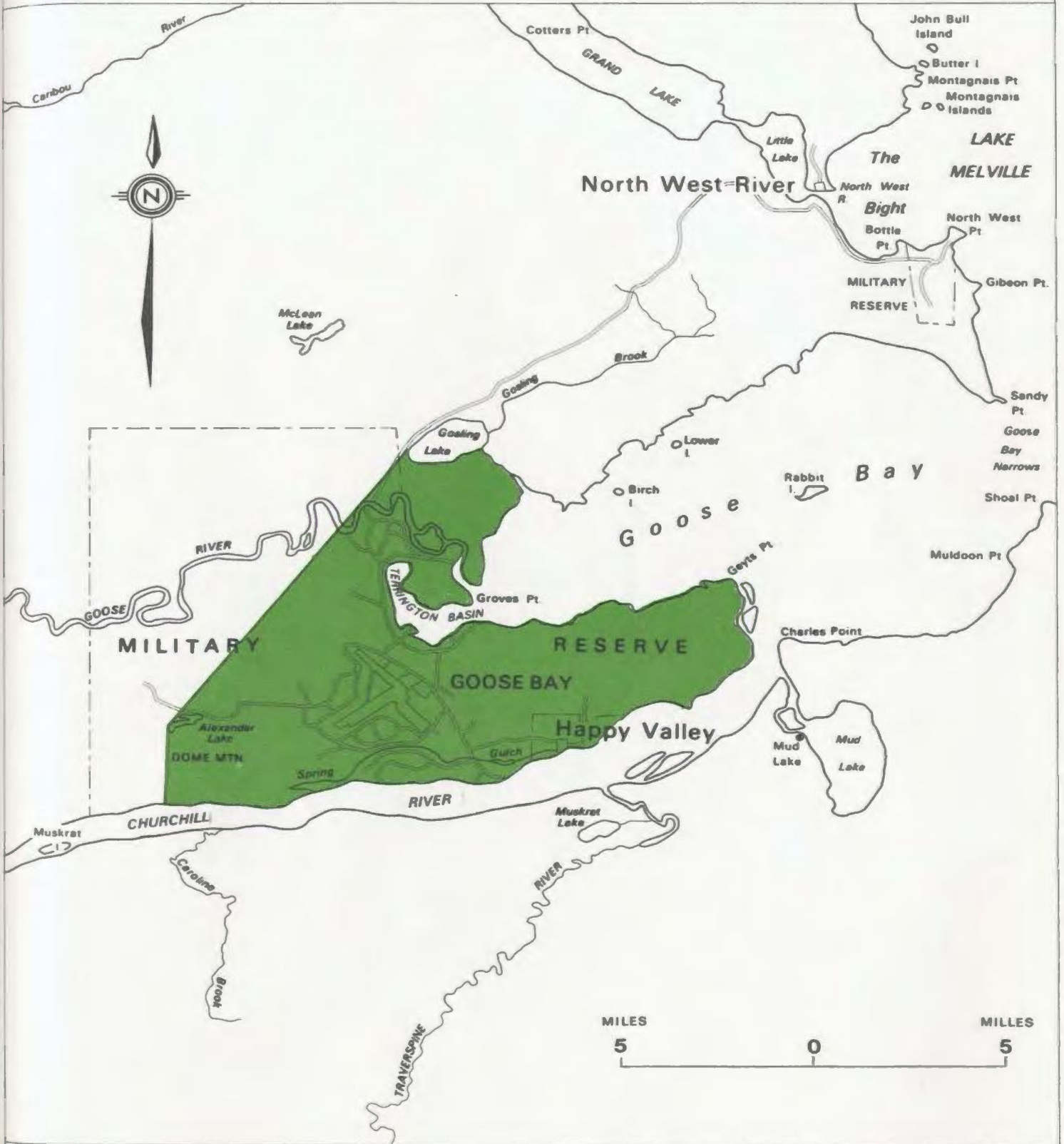
BURIN SPECIAL AREA  
 ZONE SPÉCIALE DE BURIN



PUBLIÉE 1971  
 SOUS - SECTION DE LA CARTOGRAPHIE  
 DIVISION DE L'INFORMATION  
 MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

PUBLISHED 1971  
 CARTOGRAPHIC UNIT  
 PUBLIC INFORMATION DIVISION  
 DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

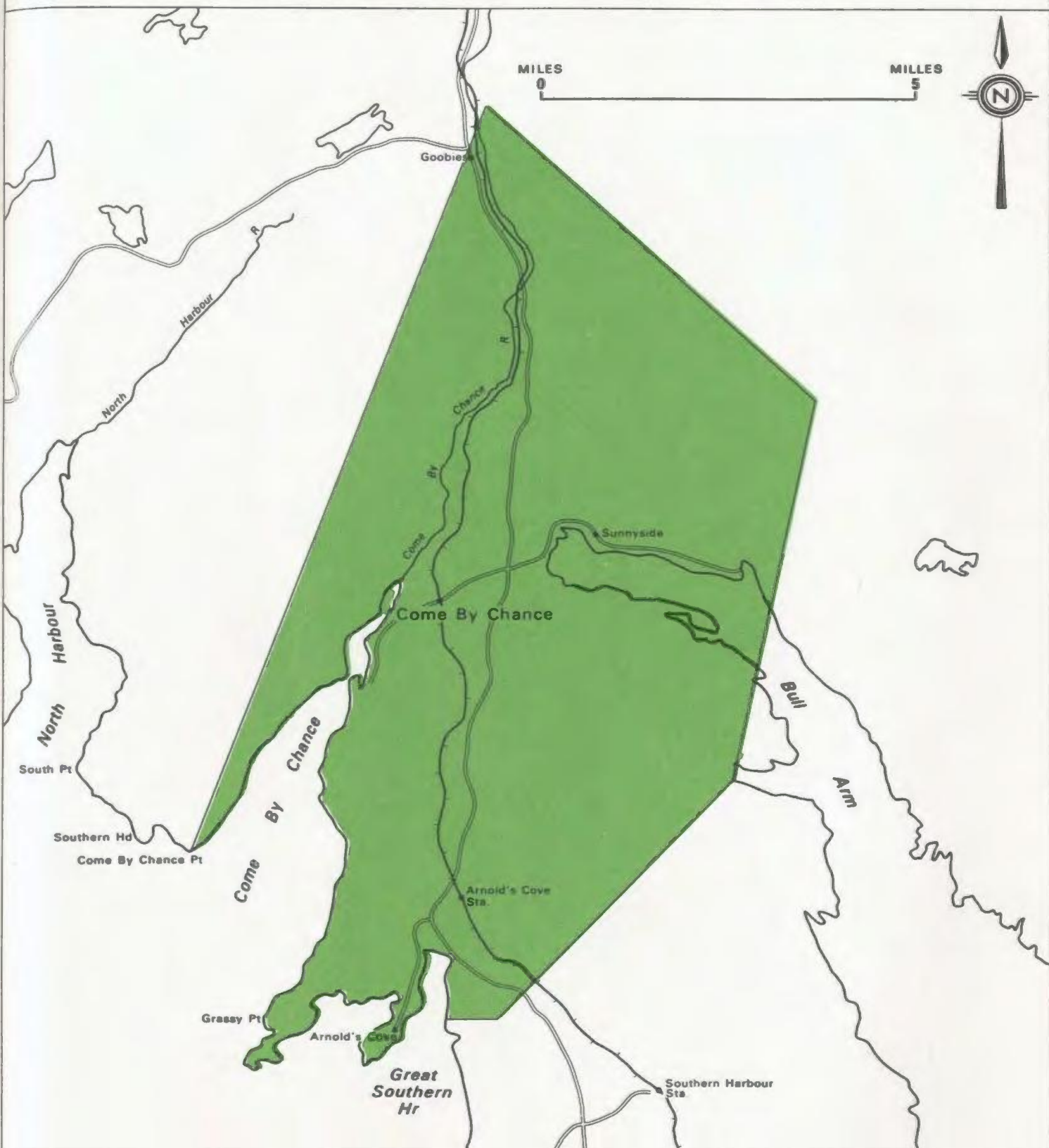
# HAPPY VALLEY SPECIAL AREA ZONE SPÉCIALE DE HAPPY VALLEY



PUBLIÉE 1971  
 SOUS - SECTION DE LA CARTOGRAPHIE  
 DIVISION DE L'INFORMATION  
 MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

PUBLISHED 1971  
 CARTOGRAPHIC UNIT  
 PUBLIC INFORMATION DIVISION  
 DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

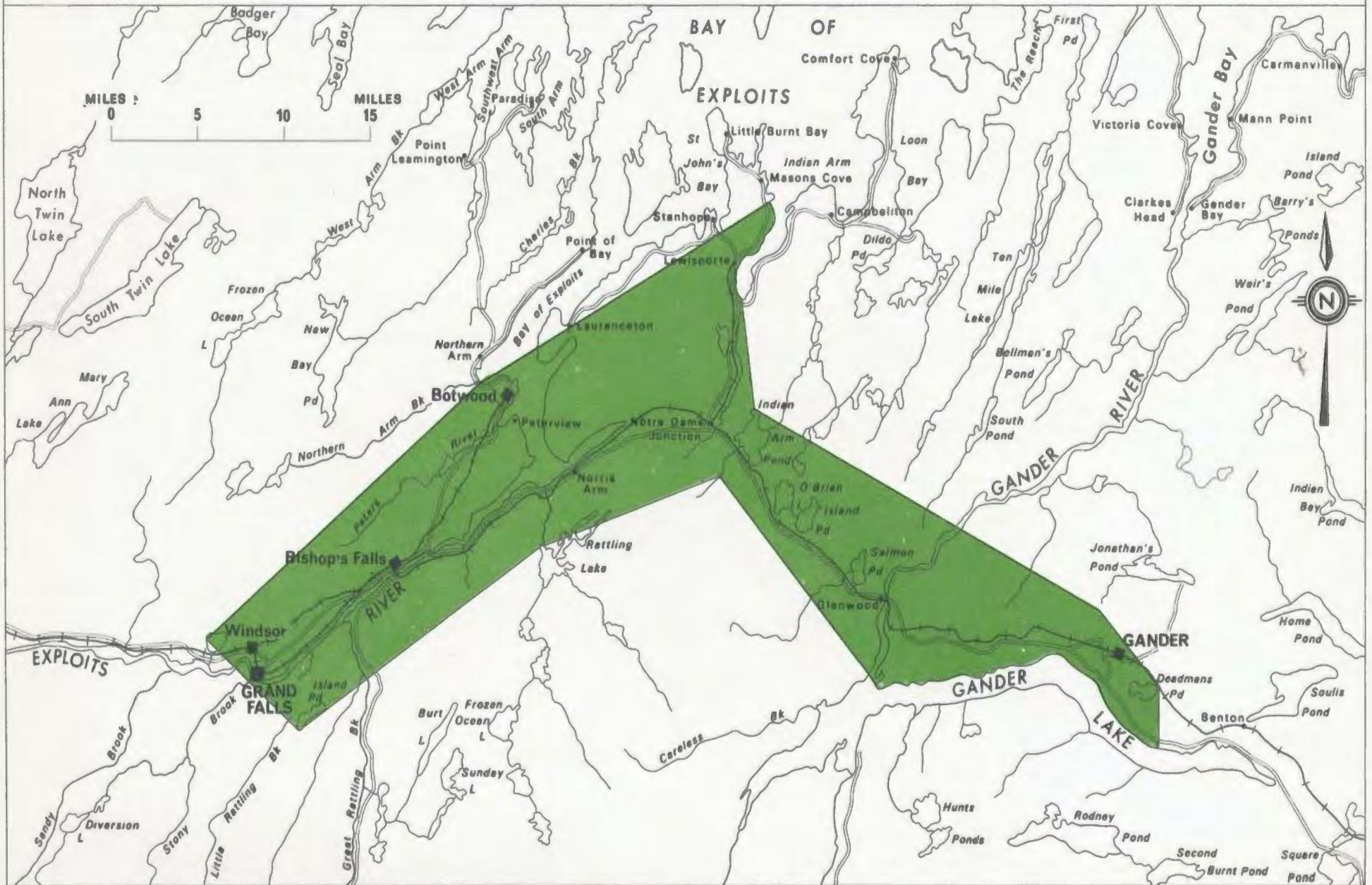
# COME BY CHANCE SPECIAL AREA ZONE SPÉCIALE DE COME BY CHANCE



PUBLIÉE 1971  
SOUS - SECTION DE LA CARTOGRAPHIE  
DIVISION DE L'INFORMATION  
MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

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PUBLIC INFORMATION DIVISION  
DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

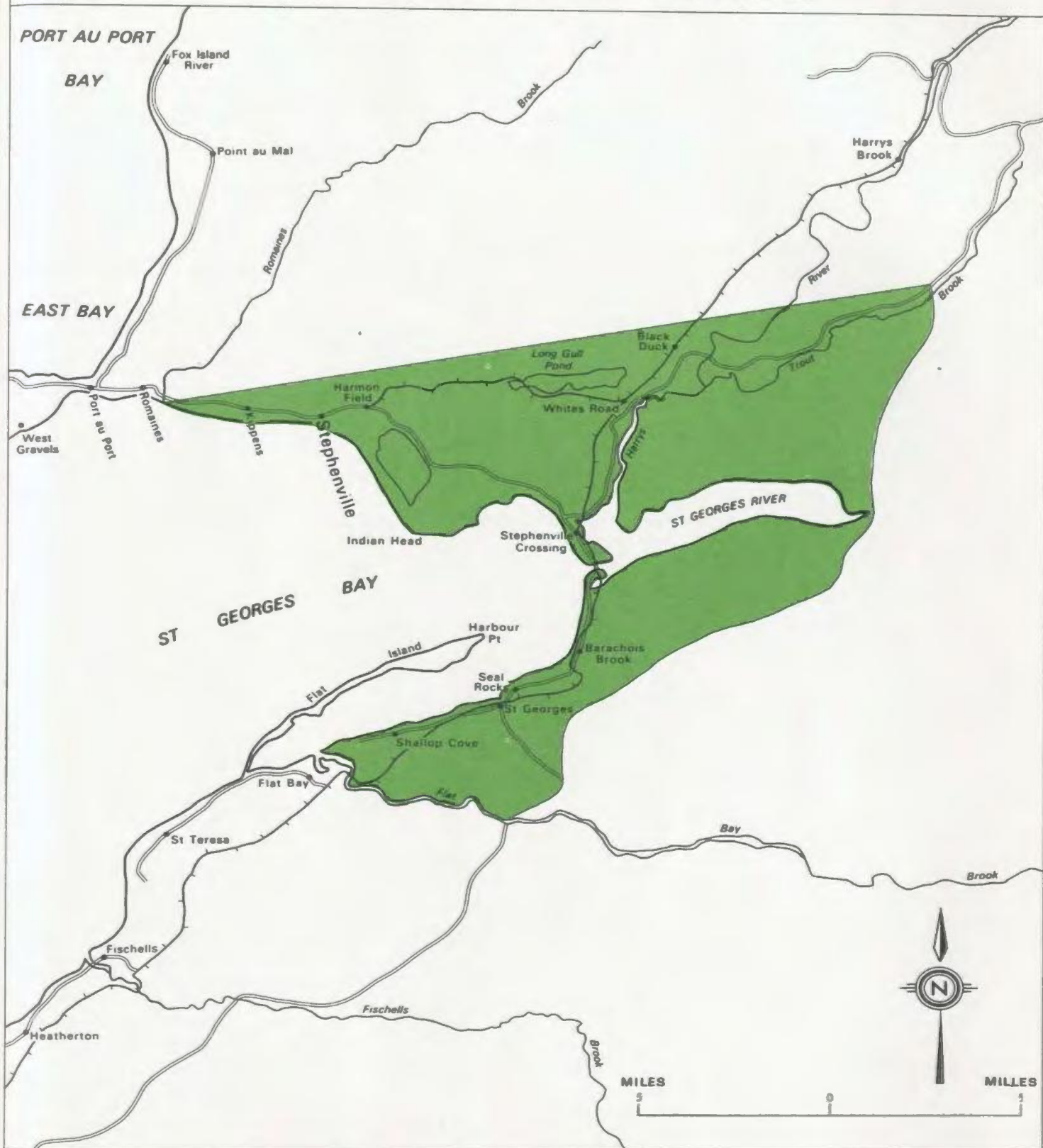
# GANDER-GRAND FALLS SPECIAL AREA ZONE SPÉCIALE DE GANDER-GRAND FALLS



PUBLIÉE 1971  
SOUS - SECTION DE LA CARTOGRAPHIE  
DIVISION DE L'INFORMATION  
MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

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DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

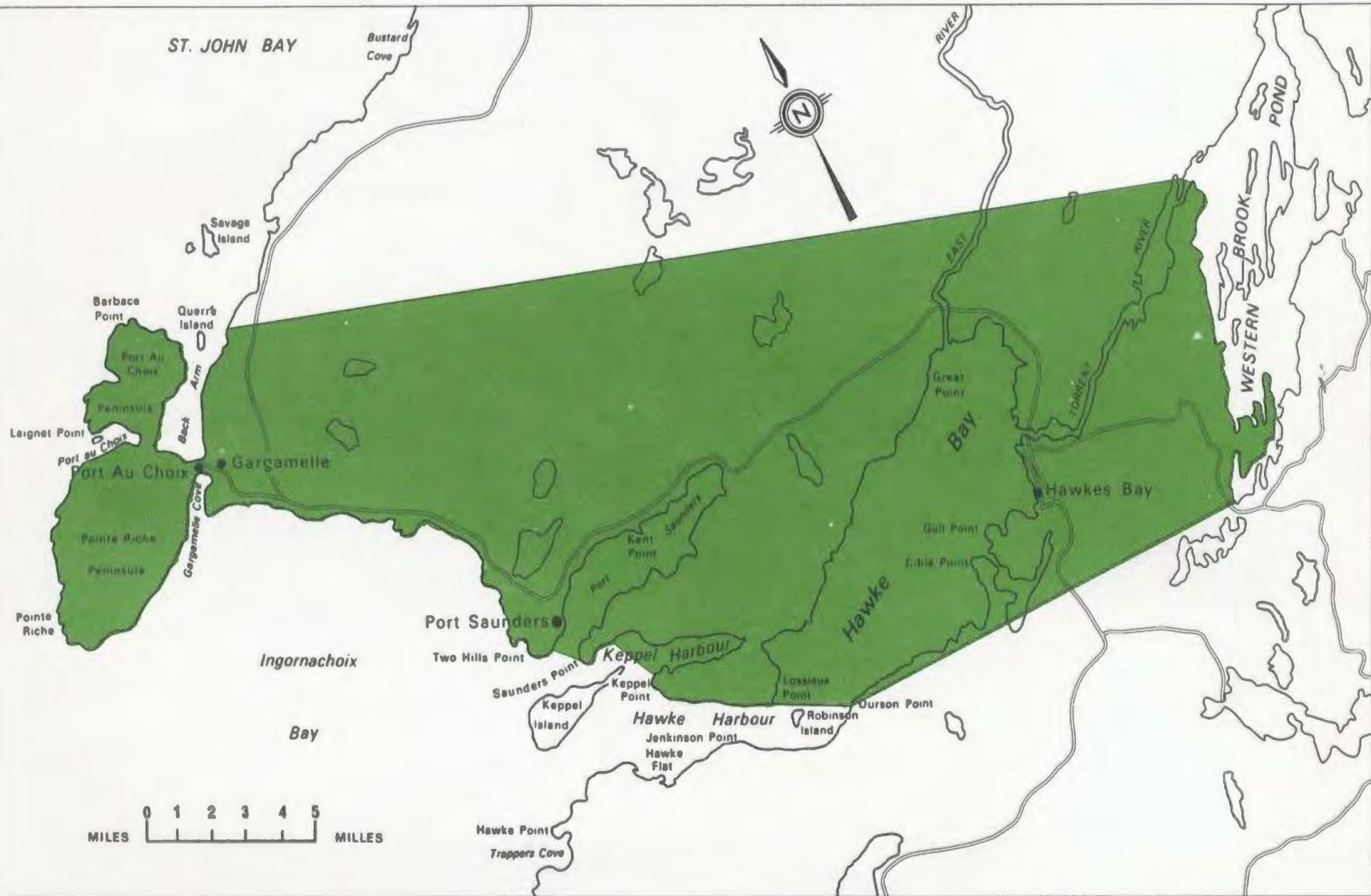
# STEPHENVILLE SPECIAL AREA ZONE SPÉCIALE DE STEPHENVILLE



PUBLIÉE 1971  
 SOUS - SECTION DE LA CARTOGRAPHIE  
 DIVISION DE L'INFORMATION  
 MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

PUBLISHED 1971  
 CARTOGRAPHIC UNIT  
 PUBLIC INFORMATION DIVISION  
 DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

HAWKES BAY-PORT AU CHOIX SPECIAL AREA  
 ZONE SPÉCIALE DE HAWKES BAY-PORT-AU-CHOIX



PUBLIÉE 1971  
 SOUS-SECTION DE LA CARTOGRAPHIE  
 DIVISION DE L'INFORMATION  
 MINISTÈRE DE L'EXPANSION ÉCONOMIQUE RÉGIONALE

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## 1 (b) Second Special Areas Agreement

## (i) Carryover Projects of First Special Areas Agreement

The Second Special Areas Agreement provided Newfoundland with forty-seven carryover projects from the First Special Areas Agreement. The ensuing chart notes this infrastructure by Special Area.

## A. St. John's Special Area - 16 Projects

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(1) Industrial Park - Mount Pearl New Town	\$1,600,000	50%	Sept. 30, 1972
(2) Trunk Sewer - Mount Pearl Industrial Park	160,000	50%	Dec. 31, 1972
(3) Advance Factory - Mount Pearl Industrial Park	600,000	0%	March 31, 1973
(4) Water Supply - Mount Pearl New Town	490,000	50%	March 31, 1973
(5) Trunk Sewer - Mount Pearl	118,000	100%	Dec. 31, 1973
(6) Sewage Treatment Plant - Water- ford River Valley	252,000	100%	March 31, 1973
(7) Sewer Outfall - Waterford River Valley	165,000	100%	March 31, 1973
(8) & (9) Water Supply & Sewage System - Holyrood	2,100,000	50%	March 31, 1973

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(10) Harbour Arterial - St. John's	\$10,800,000	100%	March 31, 1974
(11) Carbonear to T.C.H. Road	640,000	100%	June 30, 1972
(12) Elementary School - St. John's East	1,347,000	75%	December 31, 1971
(13) Junior High School - St. John's East	2,494,000	75%	June 30, 1972
(14) High School - St. John's West	2,640,000	75%	March 31, 1973
(15) Vocational School - Seal Cove	663,000	50%	June 30, 1972
(16) Land Acquisition - St. John's	4,588,000	0%	March 31, 1972

## B. Burin Special Area - 8 Projects

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(17) Water Supply - St. Lawrence	\$ 376,000	50%	March 31, 1971
(18) Grand Bank Road	2,977,000	100%	March 31, 1972
(19) St. Lawrence Road	3,244,000	100%	March 31, 1973
(20) Elementary School - Creston	1,219,000	75%	June 30, 1972
(21) Elementary School - Grand Bank	1,228,000	75%	June 30, 1972
(22) High School - Marystown	1,410,000	50%	June 30, 1971
(23) Vocational School - Burin	634,000	50%	March 31, 1972
(24) Land Acquisition - Burin Special Area	82,000	0%	March 31, 1972

## C. Come by Chance - 1 Project

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(25) Water Supply - Arnold's Cove	\$ 552,000	50%	March 31, 1972

## D. Grand Falls - Gander Special Area - 3 Projects

(26) Water Supply - Bishop Falls	\$2,140,000	50%	March 31, 1973
(27) Botwood Road	710,000	100%	June 30, 1971
(28) Vocational School - Gander	622,000	50%	March 31, 1972

## E. Stephenville Special Area - 3 Projects

(29) Water Supply - Stephenville	\$2,200,000	0%	March 31, 1972
(30) Roads and Bridges - Stephenville	1,423,000	100%	July 31, 1973
(31) High School - Stephenville	1,736,000	75%	Dec. 31, 1972

## F. Corner Brook Special Area - 6 Projects

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(32) Trunk Sewer Improvements - Corner Brook	\$ 70,000	50%	March 31, 1972
(33) Water and Sewer Trunk Main Extensions - Corner Brook	192,000	50%	Sept. 30, 1971
(34) Industrial Park - Corner Brook	288,000	50%	March 31, 1972
(35) Extensions to Water and Sewerage System - Corner Brook	90,000	50%	Sept. 30, 1971
(36) Harbour Arterial - Corner Brook	EXTENDED PROJECT - COMPLETELY RENEGOTIATED		
(37) Land Acquisition - Corner Brook Special Area	286,000	0%	March 31, 1973

## G. St. Hawke's Bay - Port au Choix - 6 Projects

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(38) Water System - Hawke's Bay	\$ 453,000	50%	Dec. 31, 1971
(39) Outfall Sewer - Hawke's Bay	10,000	50%	March 31, 1972
(40) Residential Land - Hawke's Bay	38,000	100%	March 31, 1972
(41) Water Supply - Port au Choix	500,000	50%	March 31, 1973
(42) Residential Land - Port au Choix	38,000	100%	March 31, 1972
(43) Land Acquisition - Hawke's Bay - Port au Choix	10,000	0%	March 31, 1972

## H. Happy Valley - 4 Projects

(44) Residential Land - Happy Valley	\$ 38,000	100%	March 31, 1972
(45) Elementary School - Happy Valley	1,700,000	75%	March 31, 1973
(46) Vocational School - Happy Valley	EXTENDED PROJECT - COMPLETELY RENEGOTIATED		
(47) Land Acquisition - Happy Valley	4,000	0%	March 31, 1972

The above data was obtained from Part I, Schedule B of the Second Special Areas Agreement.

## (ii) New and Extended Projects by Special Area

The Second Special Areas Agreement made provision for seventeen new projects and allotted significant extra funds to permit the extension of seven of the projects carried over from First Special Areas Agreement. These are listed by special area:

## A. St. John's Special Area - 3 Projects

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(1) Memorial University Engineering Building	\$2,000,000	100%	September 30, 1973
(2) Quidi Vidi Water Main Extension	10,000	50%	October 31, 1971
(3) Virginia Park Trunk Sewer	83,000	100%	November 30, 1972

## B. Burin Special Area - 3 Projects

(4) *Grand Bank Road	\$1,370,000	50%	October 31, 1972
(5) Marystown Industrial Land Site Preparation	15,000	50%	November 30, 1971
(6) *Land Acquisition - Burin Special Area	19,000	0%	August 31, 1971

C. Come by Chance - No additional projects were to be undertaken in this area

## D. Grand Falls - Gander - 3 Projects

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(7) Water Supply and Storage Reservoir	\$ 650,000	0%	March 31, 1973
(8) Grand Falls Water Reservoir and Extension of Distribution System	524,000	50%	March 31, 1973
(9) Lewisporte Water and Sewer Systems	130,000	50%	March 31, 1972

## E. Stephenville Special Area - 6 Projects

(10) *Trunk Water Services - Stephenville Area 13	\$ 265,000	50%	October 31, 1972
(11) Trunk Sewer - Stephenville Area 13	40,000	100%	October 31, 1972
(12) Site Preparation - Stephenville Area 6	42,000	0%	March 31, 1972
(13) Road Construction - Stephenville Area 6	165,000	75%	November 30, 1972
(14) Regional High School - Stephenville	3,850,000	50%	March 31, 1974
(15) *Land Acquisition - Stephenville Special Area	525,000	0%	March 31, 1975



## F. Corner Brook Special Area - 5 Projects

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(16) *Harbour Arterial - Corner Brook	\$ 6,450,000	50%	March 31, 1974
(17) Water Reservoir - Corner Brook	168,000	50%	July 31, 1972
(18) Elizabeth Street Reconstruction - Corner Brook	200,000	50%	March 31, 1972
(19) Junior High School - Corner Brook East	1,890,000	50%	August 31, 1973
(20) *Land Acquisition - Corner Brook Special Area	972,000	0%	March 31, 1973

## G. Hawke's Bay - Port au Choix - Special Area - 3 Projects

(21) Regional High School - Port Saunders	\$ 1,718,000	50%	August 31, 1973
(22) Elementary School - Hawke's Bay	806,000	50%	August 31, 1973
(23) Land Acquisition - Hawke's Bay - Port au Choix	9,000	0%	March 31, 1972

## H. Happy Valley Special Area - 1 Project

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(24) *Vocational School - Happy Valley	\$2,144,000	25%	March 31, 1974

\*These are the projects, carried over from the First Special Areas Agreement, which received substantial monetary injections to permit significant extension to the original proposed design.

The above data was obtained from Part II, Schedule B of the Second Special Areas Agreement.

## (iii) Feasibility Studies

The Second Special Areas Agreement supplied enough funds for seventeen feasibility studies. They are stated by special area.

## A. St. John's - 5 Studies

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(1) St. John's Regional Water System	\$ 150,000	75%	Sept. 30, 1972
(2) St. John's Sewage Disposal System	70,000	75%	March 31, 1972
(3) Adult Training Centre - St. John's	200,000	75%	March 31, 1972
(4) Elementary School - St. John's	90,000	75%	March 31, 1972
(5) Jr. High School - Mount Pearl	90,000	75%	March 31, 1972

## B. Burin Special Area - 1 Project

(6) External Services - Burin Area	\$ 60,000	75%	March 31, 1972
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## C. Come by Chance - 1 Project

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(7) New Townsite - Come by Chance Special Area	\$ 40,000	75%	March 31, 1972

## D. Grand Falls - Gander Special Area - 3 Projects

(8) Regional Servicing - Grand Falls - Windsor	\$ 15,000	75%	March 31, 1972
(9) High School Facilities - Grand Falls - Windsor	5,000	75%	March 31, 1972
(10) Adult Training Facilities - West-Central Newfoundland	7,500	75%	March 31, 1972

## E. Stephenville Special Area - 3 Studies

(11) Sewage Disposal - Stephenville	\$ 25,000	75%	March 31, 1972
(12) St. George's Industrial Water Supply	25,000	75%	March 31, 1972
(13) Adult Training Centre-Stephenville	200,000	75%	March 31, 1972

## F. Corner Brook Special Area - 2 Studies

PROJECT	AMOUNT	DREE CONTRIBUTION OF GRANTS	DATE OF COMPLETION
(14) Sewage Disposal - Corner Brook	\$ 15,000	75%	March 31, 1972
(15) Traffic Study - Corner Brook	65,000	75%	March 31, 1972

## G. Hawke's Bay - Port au Choix - 1 Study

(16) Port Saunders - Marine Centre	\$ 30,000	75%	March 31, 1972
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## H. Happy Valley - 1 Study

(17) Water Supply - Happy Valley	\$ 25,000	75%	March 31, 1972
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The data was gathered from Part III, Schedule B, Second Special Areas Agreement.

## 2. Highways

## (a) Second Special Areas Agreement

The Second Special Areas Agreement made provision for the carryover and extension of projects included in the First Special Areas and Highways Agreement. These thirteen roads are listed as follows:

ROAD	COST	DREE CONTRIBUTION/LOAN	DATE OF COMPLETION
Forest Access Roads (6)	\$ 295,000	50%	June 30, 1971
Burin Peninsula Road	11,462,000	100%	March 31, 1972
Burnt Islands Road	787,000	100%	Sept. 30, 1971
Baie Verte Road	2,806,000	100%	March 31, 1974
Lethbridge-Trinity Road	3,593,000	100%	Sept. 30, 1972
Trinity-Bonavista Road	2,958,000	100%	June 30, 1972
Harbour Breton to Baie d'Espoir Road	1,470,000	100%	Dec. 30, 1971
Long Harbour Access Road	900,000	100%	Sept. 30, 1972

The above information was obtained from Part I, Schedule B of the Second Special Areas Agreement.

## (b) Special Highways Agreement

Via the Special Highways Agreement the federal government allotted \$20,000,000.00 for the construction of the following nine roads.

A list of projects, amounts and methods of funding will be undertaken. Dates of completion are not yet available.

1) Burin Peninsula Road	\$5,400,000	100%
2) St. Lawrence Road	1,250,000	100%
3) Lethbridge Bonavista Road	3,480,000	100%
4) Deer Lake to Wiltondale	4,100,000	100%
5) Hawke's Bay - Port au Choix	2,880,000	100%
6) Carbonnear to Harbour Grace	657,000	100%
7) Gander Bay Road	700,000	100%
8) Burnt Islands - Rose Blanch Road	500,000	100%
9) Forest Access Road	1,000,000	100%

The above information was obtained from Schedule B, Special Highways Agreement.

APPENDIX E

D.R.E.E.'s Rural Development and Social Adjustment  
Program in Newfoundland



1. Mineral Exploration and Evaluation Program

The Mineral Agreement provided a four year plan for the exploitation of Newfoundland's potential.

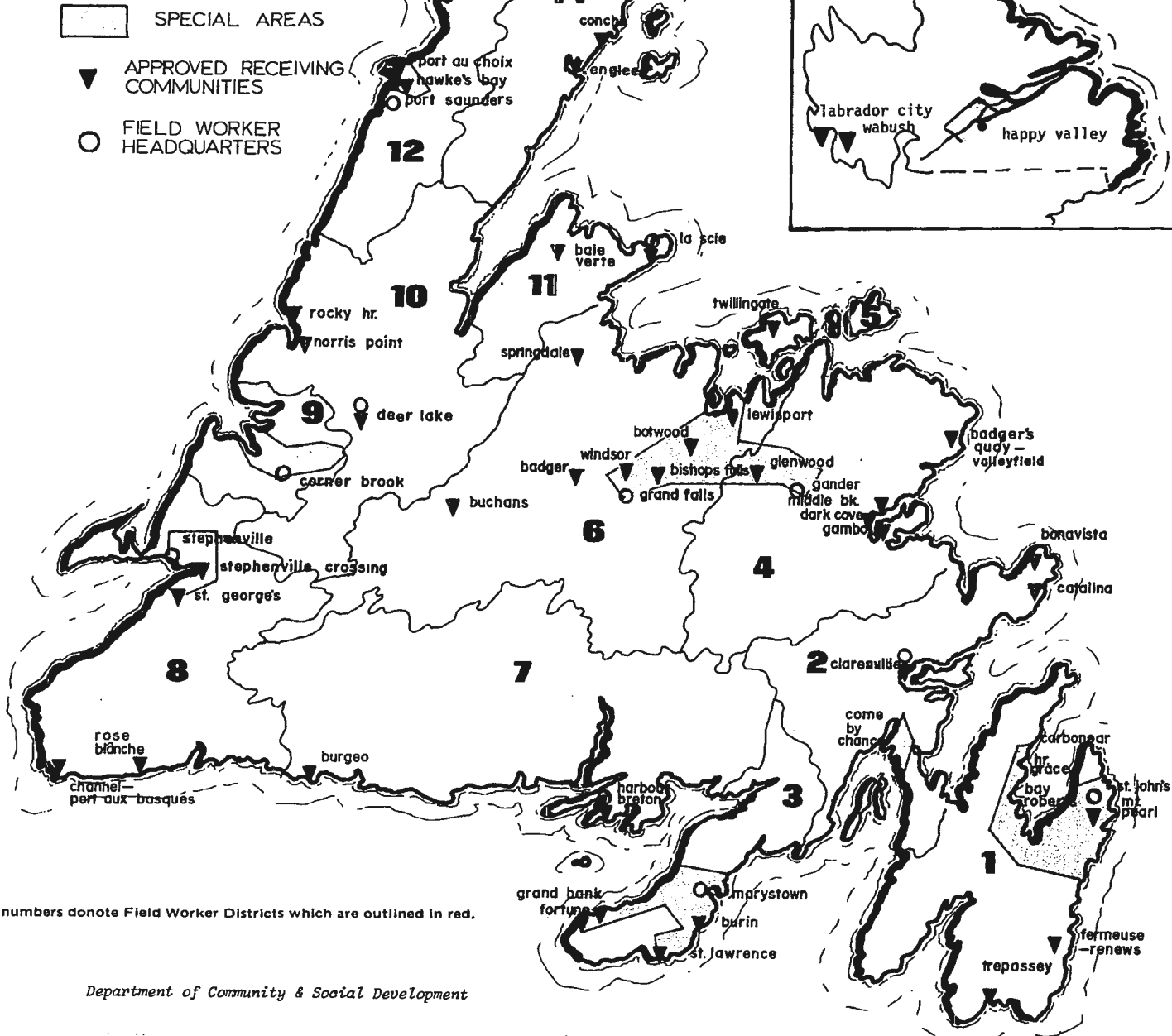
The breakdown by program by year is as follows:

ITEM	1971-72	72-73	73-74	74-75	TOTAL
1. Mineral Inventory	\$ 10,000	\$ 1,000	\$ 1,000	\$ 1,000	\$13,000
2. Resource Planning	35,000	35,000	35,000	35,000	140,000
3. Prospector - Technician Training	5,000	15,000	25,000	--	45,000
4. Mineral Evaluation Survey	100,000	400,000	500,000	500,000	1,500,000
5. Analytical Laboratory	300,000	100,000	--	--	400,000
6. Glacial Geological - Geochemical Survey		500,000	100,000	---	600,000
TOTALS	450,000	1,051,000	661,000	536,000	2,698,000

The above data is found in Schedule A of the Mineral Exploration and Evaluation Program Agreement.

2. Map of Second Resettlement Agreement

# newfoundland & labrador



Note: Green numbers denote Field Worker Districts which are outlined in red.

## WHO CAN HELP YOU?

### COUNSELLING

The Department of Community and Social Development, the Department of Social Services and Canada Manpower all have people who can assist you in deciding whether you should move and also in making the move.

You should also talk to people in whom you have confidence, such as your clergyman, doctor, or relatives who may be living in a receiving community.

It might help to talk to people who have moved previously under the Resettlement Program.

It would be wise to visit the community if at all possible, or preferably several communities.

If there is a community council, it might be a good idea to get in touch with the Town Clerk, to discuss what the Town has to offer.

Plant Managers and other employers are important people to know and to talk to.

### WHERE TO APPLY

Contact your local Field Services Representative from the Department of Community and Social Development. His address is in the back of this booklet.

### HOW TO APPLY

Individual householders should contact their local representative of the Department of Community and Social Development for information and application forms. If this is not possible write the Department of Community and Social Development, Confederation Building, St. John's.

If you move to an approved receiving community where serviced land is available or may be available soon, assistance towards buying a lot can be provided up to \$1,000. This amount is also reduced by twenty percent (20%) a year if you continue to live on the property.

If you have received assistance under the Canada Manpower Mobility Program, you may be eligible for additional assistance under this program.

### HOUSE - MOVING

Barges, and other house-moving equipment may be made available at cost to help you move your property by land or sea. Householders who wish to move their dwellings or other structure may do so but additional financial assistance for moving the buildings or parts of them will not be provided. The funds that are received under the program are intended to cover the cost involved.

### EVACUATED PROPERTY

It should be clearly understood that after property has been abandoned, it may not be occupied again without the written approval of the Minister of Community and Social Development.

Where a fisherman intends to return to his former premises for the purpose of fishing and using his former dwelling while engaged in fishing, permission may be granted upon application to the Minister. The same applies to other seasonal uses of the property. (e.g. tourism)

3. A.R.D.A.: Canada/Newfoundland Federal-Provincial Rural Development Agreement, 1971-1975.

AGRICULTURAL AND RURAL DEVELOPMENT ACT  
FEDERAL-PROVINCIAL RURAL DEVELOPMENT  
AGREEMENT

THIS AGREEMENT made this 28th day of May A.D. 1971

BETWEEN

THE GOVERNMENT OF CANADA  
(hereinafter called "Canada")

OF THE FIRST PART,

AND

THE GOVERNMENT OF THE PROVINCE OF NEWFOUNDLAND  
(hereinafter called "Newfoundland")

OF THE SECOND PART.

THIS AGREEMENT is entered into on behalf of Canada by The Honourable Jean Marchand, Minister of Regional Economic Expansion and on behalf of Newfoundland by The Honourable William N. Rowe, Minister of Community and Social Development.

WHEREAS Canada and Newfoundland recognize that the income levels and standards of living of many people in rural areas are unreasonably low and that complex problems of economic development and social adjustment exist in many rural areas of the province of Newfoundland;

AND WHEREAS Canada and Newfoundland recognize the need for integrating

programmes under this Agreement with other programmes of government to cope efficiently with these problems;

AND WHEREAS The Agricultural and Rural Development Act (ARDA) enables Canada, inter alia, to co-operate with Newfoundland in the research, formulation, implementation and financing of programmes and projects designed to improve the standard of living and to create new opportunities for increased income and employment of people in rural regions, to assist in the development of the fishery, to promote more efficient use and greater development of rural lands, to assist in the development and conservation of water supplies and improvement of soil, and to help people with the related problems of adjustment.

NOW THEREFORE, it is agreed by and between the parties hereto as follows:

1. In this Agreement, unless the context otherwise requires:
  - a) "Act" means the Agricultural and Rural Development Act of Canada;
  - b) "Approved Programme" means any programme jointly agreed to by the Ministers and approved by the Federal Minister under the authority of this Agreement for participation or assistance by Canada under the Act;
  - c) "Approved Project" means any project jointly agreed to by the Ministers and approved by the Federal Minister under the authority of this Agreement for participation or assistance by Canada under the Act;
  - d) "Committee" means the joint ARDA Committee established

pursuant to Section 2;

- e) "Federal Minister" means the Minister of Regional Economic Expansion of Canada and includes any person designated by the Minister to act on his behalf;
- f) "Ministers" means the Federal Minister and the Provincial Minister;
- g) "Provincial Minister" means the Minister of Community and Social Development of the Province of Newfoundland and includes any person designated by the Provincial Minister to act on his behalf under this Agreement;
- h) "Programme" means a definite plan consisting of a group of projects as envisaged under the terms of this Agreement;
- i) "Rural lands" means lands in Newfoundland jointly agreed to by the Ministers and approved by Governor-in-Council where programmes and projects may be carried out under this Agreement;
- j) "Rural Development Regions" means the areas of Newfoundland jointly agreed to by the Ministers and approved by Governor-in-Council where certain programmes and projects may be carried out under Appendix A, Part IV of this Agreement;
- k) "Shareable cost" means the amount or the proportion of the total cost of a project which Canada and the province have agreed to share.

2. The Ministers shall establish a joint ARDA Committee composed of at least one representative each of Canada and of Newfoundland with



respect to programmes and projects under Appendix A of this Agreement.

3. 1) The Committee shall formulate and recommend to the Ministers programmes and projects that are within the terms of the Agricultural and Rural Development Act and that are aimed at facilitating economic development and social adjustment beneficial to the people of rural Newfoundland.

2) The Committee shall recommend to the Ministers areas and lands to which programmes and projects under this Agreement may apply based on identification of the problems of those areas and lands.

3) The Committee shall indicate to the Ministers how the recommended programmes or projects by themselves or in conjunction with other programmes of Canada and Newfoundland can contribute to the alleviation of the problems identified.

4) The Committee shall indicate to the Ministers the objectives, sub-objectives, benefits and costs, including environmental and ecological benefits and costs, methods of implementation, the expected revenue, user charges, and provision for evaluation, as may be appropriate, of each programme or project.

5) The Committee shall review and report to the Ministers on progress in the implementation of approved programmes and projects including those relating to research and studies.

6) The Committee may recommend to the Ministers projects for research and study which are, in their opinion, required in order to identify, formulate or evaluate any programme or project proposed or

implemented under this Agreement.

4. 1) A programme or project shall be for the period specified in the programme or project approval but shall not be for more than five years' duration from the time specified in the programme or project approval.

2) The time period specified in the programme or project approval may be extended or a programme or project may be renewed by the Ministers provided the maximum term does not exceed five years, but any proposals for renewal must include an evaluation of the programme or project.

5. Subject to Section 23 the implementation of a programme or project under this Agreement is subject to prior approval, (in this Agreement referred to as a programme or project approval), in a form agreed to between the parties hereto. The implementation of such programmes or projects is conditional on their being of a category described in Appendix A hereto and on funds being appropriated by the Parliament of Canada and the Legislature of Newfoundland.

6. Subject to Section 16 the shareable cost for the formulation, implementation and evaluation of any programme or project, including the cost of consultation and information where applicable, shall be shared between Canada and Newfoundland in equal amounts.

7. No programmes or projects shall be approved under this Agreement, or if approved shall be extended or renewed, that are provided for under other relevant programmes offered by Canada and Newfoundland,

at the time the programme or project is approved or recommended for extension or renewal.

8. The parties hereto will jointly announce approved programmes or projects, and any public information or advertising releases specifically related to such programmes or projects shall indicate the extent of the respective shares of Canada and Newfoundland.

9. No programme or project shall be approved after March 31, 1975, under this Agreement. Canada will not be responsible for any expenditures incurred after the original or extended termination date specified in a programme or project approval or March 31, 1978, whichever date is earlier. Canada will not pay any claim which is not received within 18 months after the original or extended termination date specified in a programme or project approval.

10. Unless otherwise agreed to by the Ministers, Newfoundland will organize, operate and maintain each programme or project undertaken under this Agreement.

11. To facilitate the administration of this Agreement, Newfoundland agrees to provide to the Federal Minister, on or before the first day of October of each year, estimates concerning its proposed programmes and projects for the subsequent fiscal year in such form as the Federal Minister may request.

12. Subject to this Agreement Canada agrees to reimburse Newfoundland for expenditures made on approved programmes and projects in such proportions as are provided for by this Agreement upon submission of

a claim in a mutually agreed manner and form by Newfoundland certified by a senior officer of the province and bearing the provincial audit certificate.

13. 1) In order to assist with the interim financing of approved programmes and projects, Canada may if Newfoundland so requests make interim payments to Newfoundland not exceeding 80 per cent of Canada's share of claims submitted, based on estimates of expenditures actually incurred and certified by a senior officer of Newfoundland.

2) Newfoundland will account for each such interim progress payment by submitting to Canada within the following quarter a detailed statement of the actual expenditures concerned certified by a senior officer of the province and bearing a provincial audit certificate. Any discrepancy between the amounts paid by Canada by way of interim progress payments and the amount actually payable by Canada shall be promptly adjusted between Canada and Newfoundland.

14. Newfoundland shall maintain adequate records of all transactions made pursuant to this Agreement, supported by proper documents and vouchers.

15. Newfoundland shall make such records, documents and vouchers available to the Federal Minister for audit upon request.

16. 1) Subject to subsection (2) of this section and to paragraph 2(b) of Part I, Appendix A costs to Canada and Newfoundland for supervision, office space, telephone and other costs of a similar nature shall not be included in the programme or project costs.

2) The shareable costs may include such direct office costs as are specified in the programme or project approval and may also include the salaries and expenses of employees of Canada or Newfoundland or its agencies when those employees who are not regularly involved in ARDA programmes or projects are specifically and directly engaged on approved programmes or projects for a continuing period of one month or more.

17. Newfoundland shall save Canada harmless from any and all claims except those arising from acts of God that may be made with respect to any programmes or projects undertaken under this agreement.

18. The following conditions relevant to employment and the award of contracts shall apply in respect of all programmes and projects carried out under this Agreement:

- a) where practicable, recruiting of labour shall be conducted through the Canada Manpower Centres;
- b) in the employment of persons on a programme or project there shall be no discrimination by reason of race, sex, national origin, colour, religion or political affiliation;

19. No member of the House of Commons or of the Senate shall be admitted to any share or part of any contract, or agreement or commission with respect to an approved programme or project.

20. All construction work for approved programmes and projects shall be subject to and carried out in accordance with labour conditions and standards to be agreed to by Canada and the province.

21. At the time of approval of a programme or project under this Agreement, it shall be mutually agreed whether revenue accruing from the programme or project is shareable between Canada and Newfoundland. Shareable revenue collected by Newfoundland shall be divided between Canada and Newfoundland for a period of twenty years, or such lesser time as the Ministers may agree to, in the same proportions as the respective investments of Canada and Newfoundland in that particular programme or project.

22. 1) When any lands acquired or works constructed by Newfoundland for any purpose specified under this Agreement are sold within twenty years after such acquisition or construction, the proceeds from such sale shall be divided between Canada and Newfoundland in the same proportion as the respective investments of Canada and Newfoundland in that particular programme or project.

2) When the use of any lands acquired, other than Indian lands, is changed within twenty years to a use incompatible with the intent of this Agreement, Newfoundland shall pay Canada's share of the appraised market value of such lands at the time of the change in use, on the basis of the proportion paid by Canada of the original investment in the particular programme or project.

3) When the use of any works constructed by Newfoundland under this Agreement is changed within twenty years or such lesser time as may be agreed to by the Ministers, to a use incompatible with the intent of this Agreement, Newfoundland shall return to Canada an amount equal to the original investment by Canada in those works.

23. Any provincial expenditure incurred between April 1, 1970, and the date of the Federal Minister's approval of a programme or project that was started by the Province between April 1, 1970 and the date of the signing of this Agreement, may be considered part of the shareable cost of the approved programme or project.

24. This Agreement may be amended jointly by the Federal Minister and the Provincial Minister, subject to the approval of the Governor-in-Council and of the Lieutenant Governor-in-Council.

SIGNED ON BEHALF OF THE  
GOVERNMENT OF CANADA

IN THE PRESENCE OF:

André Lafond

by Jean Marchand

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Witness

SIGNED ON BEHALF OF THE  
GOVERNMENT OF NEWFOUNDLAND

IN THE PRESENCE OF:

P. van Es

by William N. Rowe

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Witness

