

## EVIDENCE

[Recorded by Electronic Apparatus]

Tuesday, May 28, 1996

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[English]

**The Chairman:** I would like to call the meeting to order. We are continuing, pursuant to Standing Order 108.(2), a study on natural resources and rural economic development. I am very pleased that today we have witnesses from the Canadian Rural Restructuring Foundation, Bill Reimer and Peter Apedaile.

Thank you very much, gentlemen. I understand you have a presentation to give to us, after which time the committee members will have an opportunity to ask questions. I know you want to use the overhead. You're welcome to it. Please proceed.

**Mr. Bill Reimer (President, Canadian Rural Restructuring Foundation):** We're very pleased you invited us to come to speak to you. It really is nice to be able to provide some kind of contribution to the development of a rural policy for Canada.

You are also to be congratulated for avoiding the traditional sectoral focus that has dominated the discussion to date and moving the policy discussion to matters of more general concern. We feel rural Canada is not agriculture or forestry or fishing or mining. It includes all of these and it is much more. Therefore understanding rural Canada will require a multifaceted approach involving people from many disciplines, many parts of the country, many levels of authority, and many ways of life. This is an important requirement for rural revitalization, and we have placed it at the core of our organization.

The Canadian Rural Restructuring Foundation is an organization of academics, bureaucrats, business people, community activists, and rural people. We're a non-partisan charitable organization dedicated to improving social and economic outcomes for rural Canadians through continuing education and research.

We are not here advocating the one best way to solve the problems of rural Canada, since we know the answers will not be simple or singular. Rural Canada is complex, and for that reason alone our policies and strategies must also be complex.

The claims and positions we present today are the result of at least eight years of research, meetings, and discussions among the members and associates of our foundation. Some of these are represented by materials we have for you here. I've brought along a few.

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One document you might be interested in is *Toward a Rural Policy for Canada*, which arose out of our presentation to the committee on agriculture. Another document we had some involvement in was *Rural Canada: A Profile*, which was produced with the help of Human Resources Development. Another document we make use of, and one that is very interesting from the point of view of the positions we're taking, is a document produced by the European Commission entitled *Europe 2000*.

With the materials we handed around you'll find the CRRF newsletter and information regarding our foundation, just to give you an idea of the context in which we operate.

You also have before you a document that distils the most central insights we have developed. We will spend a few minutes now highlighting from that document. I will outline some of the main features of rural Canada that set the context for our policy and strategy suggestions. Dr. Apedaile will continue with more details regarding these issues before we move into a general discussion with you regarding the implications of our perspective.

I will begin with some of the main features of rural Canada. About 34% of the employed Canadian workforce operates and lives in rural Canada. Rural Canada also makes a \$184 billion contribution to the gross domestic product, and a large part of this is from a relatively small number of enterprises.

There is growing complexity, both economic and social, in rural Canada. This means that the traditional approach to management and analysis has declining utility. We can't divide rural Canada into sectors or regions or departments and expect to rebuild the parts into a whole. That is why our foundation argues for a whole rural policy, one that is integrated from the start.

Rural Canada is also increasingly specialized. This is true for economic activities, but it is also true for the much more social aspects. The people you meet at church are no longer the same as those you meet at work or at the baseball diamond or at the cinema or at the local shopping mall.

In addition, rural Canada experiences unique instabilities. Income and wealth fluctuate in ways that are more extreme than in metro areas. Weather, markets, and especially government policy variations contribute significantly to these differences.

An important aspect is that rural Canada is becoming more and more marginalized. Rural Canadians are remote from pricing decisions and they are less influential in centres of power, provincially, federally, and especially globally.

Rural Canada is reflecting more diverse interests. This can be seen in regional variations, but perhaps more importantly it is reflected in at least three different social and economic groups. One group is oriented to global markets and world trade. It comprises the smallest proportion of the population and

the largest proportion of rural economic output. A second one is oriented to national markets, niche products, and service activities. It includes the largest proportion of the population. A third group is largely marginalized, both economically and socially. It comprises those rural Canadians who struggle with infrequent employment and impoverishment.

The diversity we find in rural Canada must be recognized in all policy deliberations. For this reason we argue that mediation between different interests must be a central feature of our rural strategy. We're suggesting that this may be met with the establishment of something like an advisory council on rural Canada, with a mandate as outlined in the document you have before you.

We also argue that the representation of rural interests must be established with sensitivity to a whole rural policy, as we have proposed. For this reason we propose the addition of a ministerial advocate for rural Canada. This would ensure the holistic approach to rural issues necessary for successful responses to the problems we face.

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One of the major objectives of the council and ministerial advocate would be to initiate and oversee a whole rural development strategy for Canada. Our foundation has made some progress in this regard, and I'll now turn the meeting over to Dr. Apedaile to elaborate on some of the elements of our work.

**Mr. Peter Apedaile (Past President, Canadian Rural Restructuring Foundation):** We've organized this part of the presentation in four or five steps.

This first slide shows you three basic macro-policy issues we feel have to be addressed if anything else we think about further on is to have any chance of working. These are not new things. These are things that have been part of the history of Canada.

The first is that we do have an environmental and social cost in producing competitively and being on the world market. We can't unilaterally factor these into our costs of production or we put our rural businesses at a disadvantage globally. Therefore we have to work actively at the international level in our trade negotiations and in the work Foreign Affairs does to have these included in the international understanding of what is a cost of production. The alternative, of course, is to continue subsidizing these costs from the taxpayer's pocket, which is not really a long-term sustainable thing.

The second major policy issue is to institute a long-term investment program in environmental recovery, and we would say also perhaps social recovery, with reference to the marginalized poor rural Canadians. I have characterized our poor rural Canadians as being a little like a cut-over forest the year after a clear-cut. A lot of work has to be done with them to get them back into a feeling of usefulness and helpfulness in the society. That doesn't mean turning them into producers of widgets, but it does mean changing them from a dependent, impoverished group as far as possible.

The third major policy issue has to do with markets. Not all markets are competitive, and particularly not with transactions costs. We in Canada have worked since the beginning of our history to deal with transactions costs; that is, the transport and the handling and the marketing and the brokering and the insuring and the papering and the communications that go with doing business with the rest of the world or the rest of metro Canada. Increasingly the organizations that supply transactions costs, whether they are cable companies or they are transportation companies, if given a chance to extract monopoly rents, probably will. That's normal.

Now I would like to introduce some policies for the majority 70% of rural Canadians. These are some ideas that come out of our work. We're not advocating them as such, we're just saying let's put them on the table and perhaps discuss them; you might find them interesting or useful.

The kind of rural business does matter. "SME" stands for small and medium-sized enterprise. When you're targeting small business in rural Canada, you don't want just to throw money or training programs, or any other kind of diversification or incentive programs, at them blanketly. We've done a fair amount of research to show it's very important that they develop a trade focus; that is, they market beyond their local rural boundaries to other provinces, to the nation, and of course into the NAFTA and beyond.

The second issue is professional services. Lawyers and accountants and other professional services are hardly ever discussed in rural policy, but some research we have done would suggest they are among the most parochial-thinking groups in our rural economy. They are almost always involved in serving the rest of rural business in Canada. So when a truck box manufacturer goes to see his lawyer and asks about shipping into Montana, his lawyer will say that market's pretty scary and they don't know much about U.S. law and so on, so he could really take a bath. So the guy goes away and isn't thinking about truck boxes in Montana any more.

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So we think the professional services would perhaps be an interesting area to look at.

The third one is farms, which, in Canada, produce a lot more than food commodities. They produce the food security for the nation, and they also manage the territory and take care of the environment through good stewardship.

The costs of providing these services in the national interest are not captured in the commodity markets. So perhaps these so-called public goods and services, or these non-market things, should be discussed and factored into the farm income. That would make agriculture much less reliant on subsidies and grants and all kinds of protection at the border.

The last one is infrastructure. We're very concerned that the price and access of rural Canadians to metro

markets and to the world market is steeply sloped. This means that they are at a disadvantage with both price and access to metro Canadians.

This seems to be particularly true with information technology. Whether it's access to the Internet, telephone, fax or any of the other far more sophisticated information technology that's coming on, rural Canadians are paying more for it, they're getting it later, and it's not quite as convenient or reliable as it is to those in metro.

There are a couple of other things that are interesting in this regard to support this first sheet I've just explained. The first is that volunteer organizations are very important to rural as they are to metro. They need to be encouraged, fostered, rewarded and built up.

We've gone through now, since the war, about 45 or 50 years, during which time the state has taken over what volunteer organizations used to do. A lot of the basic skills of rural organization and rural service has been lost in our communities. It is still there, mind you, but it needs some reinvestment.

We think it's interesting to focus on specialization rather than diversification. We realize in writing this down or bringing this topic before you that diversification has been one of the buzzwords for the last decade for the rural economy. Diversification is mainly to relieve uncertainty. It's a way you address uncertainty and risk. Specialization is the way you address the building up of incomes, wealth, competitiveness and active productivity in the rural economy. We must not lose sight of this distinction.

The third one is that we often hear there is a need for financing. Goodness knows that we have put into place over our history all kinds of financing institutions additional to the banks. We have the Farm Credit Corporation. Every province has a whole handful of special financial organizations. In Alberta, that's how the treasury branch started up.

We think the problem in rural Canada is not so much a financial problem, but much more a problem of investment climate. Rural Canadians themselves are shipping their savings out through the banking system. The reason is that they feel the risk and the possibility of getting a rate of return, or indeed losing asset value, is too high to warrant putting their money into their own rural economy. So it's much more an investment issue than a financial one.

Here's the fourth one. We're interested in the idea of getting a large enough market for many of the niche products that are involved with this large majority of rural enterprises, families and households.

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The French AOC approach to ensuring quality for wine seems to be an interesting one to think about for rural Canada. So *Appellation d'origine contrôlée* is a concept well developed for giving an identity to rural products that can then be marketed as generic. It can also be marketed to differentiate markets and

to partition markets and otherwise extract more benefit from markets for rural people.

The last one in this set is continuing education.

There are also some strategic issues for the globally integrated part of the rural economy. This is very much in the resource sectors, as you'll recognize.

The first thing we need to do is concentrate on positioning this sector to be more competitive in the future. That means improving research and development. A usual rule of thumb for a medium-technology-level enterprise is to reinvest about 2% of gross revenue, gross sales, into research and development.

So we took this rule of thumb and applied it to what the rural economy generates for Canada. It means that 2% of \$184 billion would be about \$3.6 billion. This line says that half of that should go into productivity research to make rural Canada more competitive. The other half should be going into recovery research to make rural Canada more sustainable on the environment and social side.

Right now, we don't think the combination of private and public sector research and development is up to even the normal standard of a business. We're not advocating that the state do this. This would take more discussion to get the numbers right. We don't know the total numbers of R and D because we can't factor them out for rural.

Moving quickly on, as for promoting trade, we already do that quite well. I've worked for many years in the Orient and in China, and I would like to tell you that Canadians are noted worldwide for coming over to talk, but they leave without concluding a deal.

This is not true of our competitors. When they go to China, they go to build a relationship and conclude a deal. I have spent many years in China, and I can assure that our reputation is "talk, not deal".

Revise the rules limiting new entrants. We haven't examined this, but we think it's worth thinking about. Much of the regulation in Canada, provincially and federally, really ends up restricting new business entrants. We think one wants to encourage new enterprises in this globally integrated competitive component.

Prevent the flight of economic rents. When we go after foreign equity capital, we also set ourselves up for an outflow of economic rents. So we should be careful when we're looking at equity capital to partner with in this part of rural Canada that we pay attention to where the economic rents are going.

For example, low stumpage fees and favourable forest management agreements ensure that the economic rents go to the foreign equity partners. In the long run, that's probably a recipe for bankruptcy.

Last, encourage one aspect of rural Canada, which is the integrated, competitive, worldly, rural Canada,

to reinvest upstream on the supply side of what they need. On the processing and value-added side, do this downstream. This means reinvesting in the communities. It means helping small businesses set up to give them the inputs, to get onto a quality control routine and to get involved with ISO, the International Standards Organization procedure, which they now must respect when they are trading internationally.

Coming down to the end, Mr. Chairman, those who are most marginalized need some attention. We need to do business differently for them too. The first is to have inclusive rules and practices.

For example, a woman walks into her branch in Drumheller looking for a loan to operate a new business idea that she has. She has to turn around and go out and find her husband to co-sign the loan. This is a business practice that restricts entry and helps keep people out of the mainstream.

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Education, education, education.

We're talking about mobilization as an interesting alternative to safety nets. The safety net analogy comes from the trapeze acts of the circus, and we know those safety nets are for the most highly performing trapeze artists. Perhaps after this period of experience with safety nets we need to look again.

Cross-compliance for poverty relief has to do with entering into a sort of contractual agreement with people who receive relief from the state so they get involved in education and they participate in universal health care. An experiment is now going on in Mexico with a "smart card" for the poorest of the poor. I understand from a recent report in *The Economist* that the smart card is quite successful in getting the rural poor into corrective and self-improvement activities that they exercise discretion over.

Finally, emphasize people, not places. This is difficult, because you folks are elected from places and you are also elected by people. It's always a difficult trade-off to look at. But we think instead of so much regional emphasis in our rural policy we might have more of a people emphasis.

How would we pay for this kind of stuff? Obviously we can't make suggestions that cost the taxpayer more. Here are four ideas. First, what about a rural contract in which the nation pays rural people for what they do for the environment, processing pollution, maintaining countryside amenities, and so on? Tourism is a way rural people sell the amenities, but tourism does not capture any of the costs or any return for the costs of maintaining those amenities.

There's precedent for this. I understand there's a case in the United States where a metropolitan area has established a contract to maintain the rural development activities around it.

This leads into the second point, a supermarket levy. Perhaps food products and supermarket products could attract a levy, say a tenth of 1% of turnover, and that would be used for financing rural

development. It's just an idea.

The next one has a lot of precedent in the United States: mandate the public utilities to do rural development and let government get out of the business of doing it.

The last one, which has precedents in Europe, is mandate the banks to do it. I have been involved with some of the projects in France. These have been very successful projects. It brings the banks much more into an area of social responsibility, which I think most Canadians sometimes question.

Finally, to sum up, there are some key words we'd like to leave with you. The first is "revitalization". The second is "mobilization". Third are "growth" and "trade". The fourth is "balance"; balance between the productivist, competitive side of our rural economy, which many enterprises and people are very good at, and the recovery side - the environmental side and the social side. Lastly, "mediative". Rural Canada is so heterogeneous it's necessary to bring the vastly differing interests together in some process that mediates the conflicting agendas to bring the whole of rural Canada forward.

**The Chairman:** Thank you very much, gentlemen.

Mr. Canuel.

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[*Translation*]

**Mr. Canuel (Matapédia-Matane):** I'd like to thank the Chairman and the former Chairman of the Foundation for coming here to present us some new ideas. First, I would like to start by making a few comments and then, I have a question for you.

It's urgent that we sit down together to talk about the rural world where I was born, where I live and where I've been working, particularly during the last 20 years. I've listened to you and I tell myself that 20 years ago, unfortunately, the more or less same things were being said. In the course of those 20 years, that rural area, rather than getting better, has almost been doomed.

I am speaking specifically of the Eastern part of Quebec. We have done a great deal, including Operation Dignité and, after 10 years, we have to start over again. Why? I don't know.

People very often tell us: "Take charge of yourselves". But they forget one small thing: how do you take charge of yourself? It's the how which is important. It's not enough to say so, because we know we have to pull ourselves up by our bootstraps.

We know that there is an increasing withdrawal on the part of the government. A few years ago, the

ADER - now known as the CDIC - was created to help small businessmen, people who wanted to start up something interesting. But I notice that now, even the CDIC is similar to a bank. An endorsement is required and you almost have to give your shirt before you get a loan. This federal agency, to my mind, is not very useful. Unfortunately, what I considered an excellent agency has been made inefficient because of standards.

In the rural world, where I come from, the Plan de l'Est was of great assistance to forestry workers, and it has just been cut. You said earlier that it would be a good idea to have a Department of Rural Resources and Rural Development. And yet every year, the Natural Resources Department's budget is cut. It's almost a ghost department. If we set up something for rural development and don't grant it the necessary funding, it's completely useless.

As to the closing of post offices in small towns, that started under the Conservatives. You'll tell me that it only means one employee or two, but in a small parish, it means more than one or two employees; it was a way of life, a social life.

The regional offices of the Natural Resources Department were moved to urban centres. If I understand correctly, that means that, even though what you say is reassuring, governments - one after the other - want the people in rural areas to disappear.

A few farms will be left here and there. There will be a few industries. Five people will perhaps be able to manage all the land, and there won't be any people left in rural areas.

In certain towns, there were 30 dairy producers. Today, there are only two or three left. They said that as much is produced, and it's true. It's a fact. If there are milk quotas, they are filled, but the people aren't there anymore. Two or three people manage the whole thing.

That's why I think that people in rural areas no longer have a place, they have become irrelevant. This government, like all the others, doesn't have the will to solve this problem.

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You also spoke about research and development. Where I come from, in Sainte-Flavie, there is the Maurice-Lamontagne Institute. It is the only one of this kind in Canada. Everyone was very proud of it. I must mention that it was Mr. De Bané, a Liberal MP, who promoted this institute, and I say congratulations. However, it is being axed, its funding is being cut, and the researchers, from around the world, will obviously go onto other centres. I may be pessimistic, but if the government does not change its course drastically within a year or two, almost all our youths will be gone in five or ten years.

We are told that with computers, you can work at home. Of course, with the Internet, we have the entire world at our feet, but more is needed. We can't just work alone in a basement. You need a satisfying

environment. I've noticed that, more and more, that environment is collapsing and in a way breaking up and our youth are no longer interested.

You spoke of banks. There are banks everywhere, even in rural areas, in little places such as ours. They make profits with the people of the area. Even the Fédération des caisses populaires invest a bit in our area, but not enough. How could we get banks to give back some of those profits to the people in these areas, so that they can live decently there?

[*English*]

**Mr. Apedaile:** That's a very profound issue. I think what we're trying to say is that rural development doesn't come from obliging people and strong-arming people or institutions into doing things - as much as our gut tells us that's what we'd like to do sometimes.

I think the proposal Bill Reimer outlined, to get a process going whereby the banks and other interests are at the table, would improve the awareness around their own boardroom tables that things have to be done to get rural Canada moving.

The banks in western Canada are not as involved as banks are in your case, if I understand you correctly, in the development of the rural area. Our banks are now quitting the rural areas, leaving only the treasury branches and the credit unions in them. From a profit-centred point of view, being only a deposit institution apparently is not profitable.

I think we're seeing a restructuring of the financial services market, and it would be useful to study that and learn more about how a rural economy operates without banks, because probably there won't be too many in the future.

Nevertheless, that's part of the restructuring that has to be understood rather than coerced.

**The Chairman:** Mr. Thalheimer.

**Mr. Thalheimer (Timmins - Chapleau):** We're talking about rural economic development, and obviously when there's an economy you need people there. You have a problem in keeping people out in the rural areas, for obvious reasons: health facilities and services in the larger communities, educational facilities, and so on.

I'm not sure what you're advocating. Should we have fewer communities? We have small communities all around the country, of 200 or 300 people and so on, and of course infrastructures to keep those communities in place are very costly. You can't have the hospitals and the schools and things that you need.

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If we're going to develop our economy and our natural resources, and there are a lot of distances involved, wouldn't it make more sense to advocate larger communities farther apart, within 300 kilometres, say, rather than having all of these little communities struggling with all of the infrastructures we need so that we can keep the people there? We need people if there's going to be economic development. We're either going to get them there or they're going to live there.

Are you advocating that in order for them to live out, you downsize the cities and get them back into the country, into smaller communities that are large enough so that they can have hospitals, schools and so on? Or do you get them from the rural areas and put them into the larger areas, with a population of 100,000, where you have good schools, good education and so on? How do we address that problem?

Everybody's saying that everybody is leaving the rural areas. Of course they are; there's nothing there. To see the doctor you have to run to Saskatoon or Vancouver. If you're going to school, you have it there. You don't have it in the little communities.

How do we address that?

**Mr. Reimer:** First of all, I just want to emphasize that we are not advocating some particular direction in terms of what size communities should be, where they should be located and so on. We don't see ourselves primarily as an advocacy group in that respect.

However, we do recognize the problem. We do recognize the interplay between the population availability, for example, and the viability of rural areas. There are a couple of points we want to make with respect to that.

First of all, we're advocating that we explore ways of making the value of the communities more visible beyond the simple economic basis - for example, by perhaps building some mechanisms into the economic structure whereby the social and environmental characteristics of those communities are important. Once that is done, it will change the structure of the communities in terms of where people want to live, how they can live and how well they can live in those areas, and it will in fact alter the various sizes of those communities.

Secondly, I think we're advocating that we get the appropriate actors together to attempt to deal with these problems of community size, of population, and so on. Right now we need to go across some of the boundaries that divide actors in such a fashion that processes are operating that make the communities less viable in certain areas.

We don't have a specific suggestion with respect to how to deal with those. Rather, we suggest exploring ways in which the problems that you're raising can be dealt with in a forum where the appropriate actors

are involved.

**Mr. Thalheimer:** I'm saying that unless we bring the services to those smaller communities, the communities are going to go where the services are. That means everybody is leaving the countryside and coming into where the services are - services like the hospitals and schools and so on.

With the space-age technology and so on, I can see those communities being built up through the service sector, etc., because there's a good reason for them to operate there. Because of the technology and so on, they can operate as well there as they can in downtown Toronto, so we can get the services, and particularly the service industry, into those communities. But getting them into those communities means we have to build the infrastructure. We have to build the sewers, the water...in other words, we have to build the whole town. We've been getting away from that. In other words, the economies have been working in the countryside with people supplied by the larger centres.

For example, they're doing it in my area in mining and forestry. They have work camps. The community is in Timmins. They're flying workers to Detour Lake for seven days and then they bring them out for seven days. The family unit resides in the larger community where the services are - the hospitals and so on - and the work is actually provided out in the field 300 kilometres away.

**Mr. Apedaile:** If I may respond, I'll add a couple of words to what Bill said. Our research, particularly that done by Jack Stabler in western Canada, shows how the communities in Saskatchewan are consolidating. He's extended his work into Manitoba and Alberta, too.

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It's basically a commercial drive. The commercialization or the consolidation of commercial services and the response of rural populations to those services is making them concentrate in larger communities.

I think the answer to your question is that government or some large regulator, call it a macro-regulator, can't really decide where people are going to live in the future and how they want to organize the space in their lives. What's really important is that regulations and bureaucracies don't get in the way of the way people reorganize themselves and don't add to the personal costs of that reorganization.

I personally have looked at the issue of elevator closure on the prairies. The elevators are a major institution in every little place. It's clear from our research, and I think it's clear from what's happening, that the loss of an elevator in a rural prairie community is not changing the direction of the trends of where rural people are living. The main impact is on the tax base.

With rural municipality restructuring and reorganization of the fiscal base, we're getting positioned strategically for a better solution in the future, not only for the rural economy in some amorphous sense

that we talk about here in Ottawa, but for the individuals who will be working or starting enterprises, investing and taking risks, managing a ball team or a curling club. The decisions taken as a consequence of an elevator closure are so far not proving to be so dismal and dire as we had thought before.

On the question of costly services, access issues are important. I would perhaps take issue with the assumption many make that you can operate a business from rural areas as well as from metro areas with information technology. The reason we had that point on the overhead is that our indications are that information technology simply is not as accessible, it has higher costs, and it is more prone to hassle and breakdown and difficulty than it is in metro areas.

The problem with deregulation to encourage the rapid expansion of information technology is that the focus is on metro areas, where the pay-off is, and rural areas are having to pay a higher cost.

I am connected to the Internet in Edmonton: \$20 a month will give me 20 hours and it's \$1 an hour after that. In Willingdon my connection to the Internet is also \$20 a month. That gives me 4 hours and it's \$2 an hour after that. If that isn't a distinction and difference in access, I don't know what is.

**The Chairman:** Mrs. Cowling.

**Mrs. Cowling (Dauphin - Swan River):** First of all, I want to thank the witnesses for their presentation. I thought it was very well done.

For the benefit of the witnesses, I also want to indicate that this is an all-party committee. Coming from western Canada, I find it somewhat appalling that the third party, the Reform Party, is not here to listen to the information and to help us formulate policy on behalf of the people they represent. Many of those people are from western Canada, and I am one of them. I think that's important to have on the record.

You mentioned that there is a \$184 billion contribution to the GDP that comes out of rural Canada. Does that include the economic spin-off and the jobs that are created in urban centres of this country because of rural Canada? If that's not included, I think it should be, because we have many businesses operating in urban centres that wouldn't be there if it were not for rural Canadians.

My other question relates to the question my colleague raised earlier about the investment issue. You indicated that we should be looking at a holistic human mobilization and not at safety nets. I'm wondering if you could expand on that. I'm not familiar with that, and I think it would be worth while for this committee.

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That leads me to the next question. Do you think the urban sector of Canada is prepared to support the revitalization of rural Canada?

**Mr. Apedaile:** First of all, the estimate of the \$184 billion is a crude estimate, because as great and as fantastic as our Statistics Canada is and as much as we love it, it's very difficult to get a rural-urban breakdown out of the numbers. So we used a very rough approach, which was to apportion the Canadian GDP, which is over \$500 billion, according to the number of working Canadians who have rural residence. The number of rural Canadians who have rural residence includes those who commute into metro places. So splitting the GDP that way probably overestimates it a bit; I don't think too much, but we don't know.

Specifically to your question, no attempt was made to factor the multiplier effect into metro Canada. But I would just say that from a study I did once on tourist investment in Alberta, the local multiplier was about 1.15. In other words, for each \$1 a skier would bring into this recreational investment the community would get an additional 15¢. There was roughly another buck that would impact in the Edmonton area. Then there was another buck and a quarter that would impact in metropolitan Canada, namely Ontario.

So that's a very valid point. The multiplier for rural Canada is fairly small at the moment and we think it could be strengthened. Things that happen in rural Canada, new dollar exports from rural Canada, really have the biggest bounce in metro Canada.

**Mrs. Cowling:** So the \$184 billion contribution does not reflect...and let me use, for example, the Department of Natural Resources, the whole science and technology end of that particular department, which really is there because of the fact of rural Canada: the mining industry, the forestry industry. In Manitoba the Canadian Wheat Board would not be there if it were not for the fact that rural Canadians are producing grains on the prairies. So the whole contribution of rural Canadians and what they actually do for this country is underestimated.

Would you find that to be a true statement?

**Mr. Apedaile:** I won't disagree.

**Mr. Reimer:** I might respond to the second of your questions, about the issue of the holistic approach we are suggesting and the search for alternatives to a safety net approach. This is an ongoing discussion that occurs within our group as it probably is in your own mind, in terms of how to deal with these kinds of problems, particularly that third group we were focusing on, those who are marginalized or who are becoming marginalized or who were marginalized.

Our emphasis has been much more on the education element. As you noticed in the presentations, we were emphasizing education and consciously opposing that to the idea of job training, for example. We wanted to explore options whereby arrangements could be made to provide what are now safety net types of supports, but in a context where the objective is - we use the term "mobilize" - to make it possible for people to move into other areas where they are not now present.

We emphasize education as opposed to job training, for example, because of the complexity of rural Canada, because it will be necessary for most people to move through different types of occupations, different types of careers, in fact, and to train for specific jobs does not permit that kind of flexibility.

.1205 

On the other hand, education in basic skills, the traditional skills, life skills, even literacy - these kinds of things open up a host of opportunities that are possible in the short run and in the long term. It's that long-term flexibility that we want to emphasize when we're talking about the question of dealing with that third group, for example - well, in fact with any group, but we're focusing on the third group.

So our emphasis on a holistic approach is really an attempt to emphasize the importance of a flexible long-term strategy.

**Mr. Apedaile:** Education sets people up to make choices and to take advantage of opportunities. Training traps. I think that nobody is enough of a clairvoyant to understand where the job is going to be, even at the end of nine months when the training has stopped, but an educated individual is always able to assess the market and assess opportunities and cast around and look for how to do things.

**Mrs. Cowling:** Do you think urban Canadians are ready?

**Mr. Apedaile:** I think they're very predisposed and favourable, sympathetic, to rural issues, and I think they're ready to consider carrying their weight. But they really appreciate the amenities.

**The Chairman:** Mrs. Hickey.

**Mrs. Hickey (St. John's East):** It's interesting that you brought up education. I've just spent three very tough weeks travelling the country talking with children about education and making the transition from school into the workforce.

You were talking about training, and I thought that you should probably try to consider getting training in an early stage of school instead of later and then let them worry about whether the training is good at the end of nine months, because it will give them something to build on in school. I don't know how you'd get it into the school system, but maybe we can somehow.

Rather than throwing what are essentially limited financial resources at unemployed rural youth, would their interests not be better served if the government considered a tax incentive? Something else that came up during my time spent travelling across the country was some way to lessen the burden on businesses so we can help youth in rural areas of the country to get jobs that aren't there right now.

**Mr. Apedaile:** We just haven't done any research on that. We don't have any evidence about that

because we haven't looked for it. There generally is a sense of being overtaxed on the part of small businesses, and certainly the issue of the incidence of who pays tax and who supports public services is always a debate in any society. But we haven't studied that. I'm sorry. It sounds like a cop-out answer, and it sort of is, but I just don't know what the answer would be.

**Mrs. Hickey:** It's something you might want to look into, because there's a lot of interest in that across the country, and it's big. You might want to keep that in mind.

**The Chairman:** Mr. Bélair.

[*Translation*]

**Mr. Bélair (Cochrane - Superior):** First of all, I have to say that I basically agree with what my colleague from the Bloc Québécois has been saying. He had depicted rural Canada in a fairly pessimistic way, but I think that it is realistic.

With all the cuts, the provincial and federal governments seem to be abandoning rural Canada. To my mind, within five or ten years, there will be a sort of anarchy, until the bigger companies monopolize the markets and the businesses.

.1210 

High-tech has a lot to do with the job loss. People move to urban centres to find a job. What is of more and more concern - my colleague from Newfoundland just spoke of it - , is the exodus of youths towards urban centres, not necessarily because of lack of education or a lack of specialization in specific trades, but simply because there are no jobs. It's very distressing in the long term.

I don't agree when you say that the rural population is going up. That's certainly not the case where I come from. However, you did not talk about regional development. You didn't comment on the existing programs that helped rural Canada, but you did talk about that surcharge with the supermarkets which, I think, would not be viewed favourably and would not be well received at all.

What more should the federal government do? First of all, we must encourage our youths to start up small businesses, to stay where they are so that our areas can benefit from them, which would ensure our long-term survival.

I quickly read your paper and your description of a rural Canada 3. In many areas of the country, it is a matter of survival. But people must again start thinking more positively and we must make sure that in the long run what we have now will bear fruit, so that people will have permanent jobs and a decent standard of living, to use my Bloc colleague's words.

We all know that in rural Canada, people are having a hard time surviving. They don't necessarily have the same standard of living as we have in the urban centres. I'd like to hear your comments on that, gentlemen.

[English]

**Mr. Reimer:** There are a number of points there and I think they're extremely important. As we mentioned, they are issues where we can't say okay, here's the answer. What we can do is comment on some of the discussions we've had and some of the issues we've focused on.

You mentioned the regional development programs and the programs that are currently in place. One of the things we would like to do, in fact, is to take a look at the many programs that have been initiated by the government over the last 50 years. A lot of different types of programs have been initiated. The information relating to those programs or their outcomes is certainly publicly available, but very little of it has been analysed or examined in a manner that would allow us to evaluate the relative utility of these various programs.

From our point of view, this is a tremendous opportunity to take a look at those and to look at what we have done in the past, what has worked and what hasn't worked, what the outcomes have been, and what we should avoid in the future. This is one area where we're quite conscious of problems in getting information and in doing the analysis that would allow us to evaluate some of these programs.

Did you want to comment on some of those?

**Mr. Apedaile:** The issue of the quality of life is always a controversial issue because there are many who assert that people stay in rural areas. For example, in Newfoundland outports I'm told over and over again by people I work with that people go back to places where the economy is pretty poor, usually with some remittance income, mind you. The outport is infinitely preferred to the quality of life they've experienced in Toronto or Fort McMurray.

.1215 

So quality of life is a subjective thing. It's part of the free choice that people have, or should have, about where they want to be.

The much tougher question is who pays for that quality of life and whether the economic activities people engage in are properly remunerated. It's the same old question. We have cases brought up over and over again in gender relations where you'll have a man and a woman doing the same job. The man is paid at one level, higher, and the woman at another level. As long as the man and woman don't really know what each other is being paid it works fairly well. That's pretty comparable. But when you're comparing downtown Montreal with L'Anse aux Meadows in Newfoundland, or something like that,

then the comparison is more difficult, because there is this quality-of-life issue.

One of our main points, Mr. Bélair, is that rural Canadians, whatever else they do, are very much the caretakers of the amenities of rural life, which hundreds of thousands of urban people enjoy at no cost whatsoever to them. Meeting that cost through the tax system not only is inefficient, we think, but also leads to all kinds of economic distortions. So why not bring to the table the idea of finding a way whereby the national interest that rural people serve can be paid for in some way? It certainly won't be through markets, because these things aren't bought and sold. But they are valuable. I think rural and urban people would be willing to come to the table and talk about negotiating what that price should be on those things rural people do at their own cost.

**Mr. Reimer:** We have the example of national parks. There are mechanisms whereby these are recognized.

**Mr. Bélair:** In your presentation you never mentioned the word "transportation". As you must be well aware, this is a major issue, a major problem, in rural Canada, in the sense that yes, we can produce some value-added products - we can produce just about anything - but as soon as you add in the transportation costs it becomes prohibitive for the consumer to buy these products. Would you like to comment on this, please?

**Mr. Apedaile:** I had a very interesting meal with a guy by the name of Tremblay from I think it was Saint-Clément, back of Rimouski. He's an entrepreneur - the entrepreneur's entrepreneur. He's dealing with that very question, plus a lot of other transactions problems his company faces in this small community, quite successfully by the way he subcontracts to local trucking firms. He's moving successfully into the United States. He uses breakfast meetings with other business people to talk about new ideas to get across the border, to deal with the brokering, to deal with all those transportation problems.

I think those are solvable and researchable.

**Mr. Bélair:** He's very fortunate to be close to the United States border. But that's not our case. I'm from northern Ontario, near James Bay. That's 600 miles from Toronto. That's the kind of transportation problem I'm talking about.

**Mr. Apedaile:** In that regard, the corridors approach - they are springing up all over North America in response to the NAFTA - provides some very interesting opportunities. We heard a presentation from Wes Barrett in Manitoba. He is very much involved in corridors activities. Trade corridors are just a new idea. Rural communities along these corridors can have all kinds of access to markets right down into Mexico from remote places such as Churchill, which is not on your side but is the same kind of thing, by these corridor concepts.

They are varied. My goodness, the people who are involved in these corridor activities have all kinds of

ingenious and imaginative ideas. Every one is different.

.1220

**The Chairman:** You talked about the fact that the investment rural Canadians were making, their savings, was flowing out of rural Canada and into urban Canada. In the United States some of the states have legislation that requires community banks to invest the equivalent amount back by way of loans in their communities. Would that approach be workable in rural Canada?

**Mr. Apedaile:** I think that kind of approach should certainly be on the table for a rural advisory process such as we're talking about. The banks in Canada are having difficulty in coming to grips with their community and their small business responsibilities, as a social institution.

I don't think such a rule could be imposed, but I'm sure that such a practice could be negotiated into their practices.

**The Chairman:** You talked about and gave a fine example of the access to the Internet. Previous witnesses here have talked about the concern we would have in rural Canada about the whole process of privatization, that privatizing something might make a lot of sense in urban Canada, because the economics are such that the private sector will step in, but the same is not true in rural Canada.

Just to use the access to the Internet or access to Bell-type services, do you think we need to continue to regulate that as government in the rural areas?

**Mr. Apedaile:** Bill can comment.

My personal view, which doesn't reflect anybody else's, is yes, I think we do. Otherwise, because of cost-recovery principles, the cost will rise all the way to the periphery.

**Mr. Reimer:** I would agree with that. I think this is an example of the way in which a simple single form of solution cannot be applied across the board. We're talking here about a situation, particularly with the rural, where we have to make some judgments about what is of a larger social benefit, or even an urban benefit, and how we can end up reflecting that in dealing with the rural area.

**The Chairman:** I think you're the fourth of the witnesses to make the point during your testimony that we need to take a holistic approach, that it isn't just agriculture, it isn't just natural resources, it isn't just tourism, but it's very broad. Rural Canada is made up of many components. Your suggestion, which echoes others' suggestions, is that there needs to be a...I think you used the phrase "rural advocate" in cabinet, a specific cabinet member who is designated as having responsibility for rural Canada, and you're suggesting having an advisory council reporting to him or her.

Maybe you can enunciate some of the specific benefits that you could see flowing from that.

**Mr. Reimer:** I mentioned two, one being in terms of the council itself. It allows the possibility of bringing together various interests and various actors who normally are not there but who should be. That's why there is the emphasis on the council, to end up ensuring that the various parties will be represented in a reasonable manner.

The advantage of the ministerial candidate is that it will be somebody who has to integrate that material; that is, that there is somebody who has to think about it in that holistic fashion in making whatever position or claims that are made.

So those are the two primary benefits and why we formulated it in terms of those two elements.

**Mr. Apedaile:** I would just add, not being a political scientist, that cabinet tables are where interests are represented and the people of the cabinet are representing their constituencies: the agriculture constituency, the natural resources constituency, the defence constituency, and so on. In that context, the real advantage for rural Canada is that you have someone representing rural interests.

As we took pains to point out, 70% of rural Canadians and their households and their employment in the workforce is not involved in the globally integrated part of rural Canada that generates the GDP. Probably fewer than 10% are involved.

.1225 

In a discussion I had with my minister of agriculture in Alberta, I said he was part of the 3% solution. He asked what I meant. I said 10% of Albertans are farmers and from our research only 30% are actively involved in getting income from agriculture; 30% of 10% is 3%. All the spending, all the budgeting, and all the things you do at the cabinet table are for 3% of the labour force in Alberta. I said politically, how long do you think you can survive representing only 3% of the population? He had thought of it, and it was an interesting issue and an interesting question. That's why we do have to look at how rural interests are represented where the decisions are made.

**The Chairman:** I have one last question. You brought up the interesting concept that urban Canadians see the value for the very existence of rural Canada and for the fact that there are people who live in rural Canada who maintain the very nature of it. This is a particularly interesting concept for somebody who represents a riding two hours north of Toronto and who sees an influx of some 60,000 seasonal residents every year.

I'm interested in what type of mechanisms you would see. You've said that taxation is not one and that markets would not necessarily be one. What type of mechanisms would see that transfer or that payment, for lack of a better word, from urban Canada to rural Canada? What type of structure would

that take?

**Mr. Apedaile:** Of course, this idea comes out of our European experience. Our foundation has liaison in Europe and in Japan, so we try to keep track of how other countries are dealing with these kinds of things. In Europe, the European Commission is simply pumping in money that it generates through its revenue base into rural Europe, and they're finding that it's a lot cheaper than pumping it into the common agricultural policy, incidentally.

My own personal view on this, and one that I would really like to get down to look at in detail, is that we should have fairly locally negotiated contracts between metropolitan areas and their rural periphery, leading to a joint management approach so that the amenities are received by metro people, and so on.

In our economy you only get revenue when you do something that's useful to someone somewhere. The problem here is that rural people are doing something that's very useful to metro people, but there isn't any way now. There's no convention. Many people haven't even thought of doing it, of linking the beneficiaries to the ones who are bearing the cost. I think a negotiated rural, social, or economic contract on some kind of a metropolitan periphery basis would have some chance of success. I'm hoping to look into some cases where that has been going on. I believe Minot, North Dakota, is one of those cases.

**The Chairman:** Thank you.

Gentlemen, thank you very much. I appreciate your taking the time to provide us with your testimony. I think it was very interesting. You've left us some good material to take a look at. Again, thank you.

The committee stands adjourned.

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