



MARITIME Series

THE STATE OF THE REGIONS

The Economic Region of Northeast New Brunswick



INSTITUT CANADIEN DE RECHERCHE SUR LE DÉVELOPPEMENT RÉGIONAL
THE CANADIAN INSTITUTE FOR RESEARCH ON REGIONAL DEVELOPMENT

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of Northeast
New Brunswick**

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Edited by
Maurice Beaudin



INSTITUT CANADIEN DE RECHERCHE SUR LE DÉVELOPPEMENT RÉGIONAL
THE CANADIAN INSTITUTE FOR RESEARCH ON REGIONAL DEVELOPMENT

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Preface

Five years ago, the institute's board of directors asked its staff to develop an annual research program that would concentrate on the Maritime provinces. Up to that point, staff members had been relatively free to choose their research projects and to conduct their investigations on their own, the thinking being that researchers are more likely to produce solid work when free to pursue their own research interests. While this is still the institute's policy, they and their associates are now expected to contribute to an annual collective project dealing with the economy of the three Maritime provinces.

The result of that collective effort is a series of reports entitled *Maritime Series: The State of the Regions*. Its purpose is to review in some detail the economic circumstances of the three Maritime provinces and the particular challenges they face. The series divides the Maritimes into eleven economic regions as defined by Statistics Canada.

In this report, the fourth in the series, we examine Northeast New Brunswick, a region that anyone even remotely familiar with the Maritime provinces knows has had to face serious economic challenges over the years. It is also a region that has benefited greatly from regional development efforts by the federal government. Some of these efforts have met with success; others have not.

I have been gratified by the success of the previous reports in this series and by the wide coverage given to their findings in the local media. It is hoped that this report will be as well received, as it makes a number of important observations about Northeast New Brunswick — observations that are bound to benefit the region by contributing to an open and informed debate about its economic prospects.

Without the participation of the people engaged in the activities under examination, regional studies of this kind would not reflect the real issues. We have been especially fortunate in this regard during our consultations in Northeast New Brunswick. Many people throughout the region patiently answered all our questions and

provided us with important information. We are indebted to them for their help.

In producing this review, the institute was fortunate to have a skilled, devoted, and dynamic research team. I would like to thank all its members for their professionalism and team spirit, which were essential to the success of the project. The team was led by Maurice Beaudin, a native of the Acadian Peninsula. He has firmly established himself as a keen student of economic development and takes a strong interest in the economic challenges of his native region. Mr. Beaudin acted as project coordinator of the team, which included Colette Allain, Samuel Arseneault, Sue Calhoun, and Eugen Weiss.

The target groups for this review are informed observers; the private sector; outside investors; government officials whose task is to design policies for the Maritime provinces; outside parties interested in the economy of Northeast New Brunswick; students of economics, geography, and public policy; the media; and the general public. These and other readers who would like to comment on this review or make suggestions for future projects are invited to contact the institute.

Donald J. Savoie
Executive Director



Introduction

This fourth volume in the Maritime Series: The State of the Regions examines Northeast New Brunswick. Commonly known as the Northeast, this large region encompasses Restigouche, Gloucester, and Northumberland counties, an area that represents more than a third of the surface area of the province. The Northeast is one of the most, if not the most, important of the resource-based regions in the Maritimes.

The Northeast has been recognized as a distinct socio-economic entity ever since the first federal-provincial development agreements (ARDA and FRED) were negotiated in the early 1960s. At the time, the region was considered underproductive and was thought to be falling too far behind provincial social and economic standards. Unemployment was chronic, entrepreneurship was practically non-existent, except for the large, externally controlled firms, and levels of education were the lowest in the country. Moreover, attention was called to the urgent need for a social and economic infrastructure, a necessary condition for the region's development.

The two levels of government agreed, therefore, on strong measures to bring the region up to the level of the rest of the province and, more especially, to provide it with the means to benefit from its considerable natural resources.¹ Looking back, it is apparent that progress has been fairly widespread, particularly in education but also in the areas of urban-industrial infrastructure, roads, and entrepreneurship. The tourism sector, which until then had been latent in the region, has become an important industry as a result of the economic development agreements. And the same can be said for the fisheries, which have been modernized and brought under the control of local residents, aided in large part by these regional and sectoral agreements.

Structurally, however, the region continues to lag behind the province as a whole, even in spite of the progress that has been made. Moreover, it is facing new challenges that may be somewhat

1. Donald J. Savoie and Maurice Beaudin, *La lutte pour le développement: le cas du Nord-Est* (Quebec: Presses de l'Université du Québec, 1988).

different from those of the 1960s but are just as demanding. It is now perhaps less important to close the gap with the other regions, particularly with Southern New Brunswick, than it is to consolidate an economic base that has been seriously shaken by the restructuring that is occurring in all predominantly resource-based economies. This involves adjusting to a realignment in national politics, which no longer views regional development as a priority but instead leaves the regions to draw on their own strengths to adapt to the new environment — an environment in which the context of economic globalization is marked by the strong expansion of technologies, a sharpening of competition, and the advent of mega-mergers. Domestically, it is necessary to adapt to the rationalization of public spending and institutions, a process that is often detrimental to peripheral regions like the Northeast. It is also necessary to adapt to the reduction in social transfers; this reduction has already been eloquently demonstrated by the reform of the Unemployment Insurance Program.

In short, Northeast New Brunswick is currently in the throes of a transition that is affecting not only its economy but also its communities, society, politics, and fundamental questions of organization. More than ever, the residents of the North are being confronted by the challenges and issues of global economic restructuring as well as the dismantling of the welfare state.

We need to remember, though, that the Northeast is not the only region facing this predicament. Many other regional economies in the Maritimes as well as Newfoundland, Quebec, and the other Canadian provinces are also having to face up to the same challenges. However, these regions are not necessarily at the same stage of socio-economic development — i.e., they do not have the same means; they are not endowed with the same material, human, and technological resources; and they do not have the same level of infrastructure or the same entrepreneurial or organizational capacities. They do, however, display a number of common features: most have relied, perhaps excessively, on their natural resources to ensure their growth, and they have also relied, again perhaps excessively, on governments to promote their development. This has led, on the one hand, to an overemphasis on their resource heritage and, on the other, to a growing dependence on transfer payments.

As a result, a desperate search for a way out of the crisis is currently underway. In a period of scarce resources and changing patterns of consumption, each region is seeking to adapt its industrial

structure, until now based on mass production, to one that is more rational, diversified, and flexible — and oriented towards differentiated and higher value-added products and services. This is probably the real issue facing resource-based regions such as Northeast New Brunswick.

It must be stressed that this study in no way pretends to provide an overall strategy for the development of the Northeast. Indeed, that would be impossible in such a limited space given the size of the region and the diversity of its various subregions. Our aim instead is to present an assessment of the recent situation in the area of economic development — to identify the structural strengths and weaknesses of the region, to measure the relative performance of each of its subregions, to describe the structural changes faced by these subregions, and to stimulate thinking about their future. In short, this study is more an assessment of past accomplishments, of real and potential challenges, than a concrete socio-economic development strategy.

Our analysis draws to a considerable extent on two sources of information. The first is a demographic and economic analysis that was carried out using census data and other official data from the provincial and federal governments (Revenue Canada tax records, the *Labour Force Survey*, *Provincial Economic Accounts*, the *Survey of Manufacturers*, provincial company directories, etc.). Using this information, we were able to construct relatively detailed profiles of the region's demographic make-up (age structure, urban-rural trends, and migration patterns), its labour market (economic participation rate, unemployment rate, duration of work, types of jobs, and compensation), and its economic structure (distribution of employment by industry and occupation, the share of different industries and services in the provincial gross domestic product [GDP], and employment trends by industrial sector). The profiles were especially constructed for the region as a whole, but they also include some specific analyses at the county and subregional levels. The subregions are already defined at the provincial level and match the areas covered by the regional economic commissions. In the Northeast, these are the subregions of Restigouche, Chaleur, the Acadian Peninsula, and Miramichi.

The second source of information comes from (1) the numerous interviews and site visits undertaken over the course of 1998 and (2) a range of reports and studies produced by federal, provincial, and regional agencies. The interviews and site visits allowed researchers

to get a feel for the climate and culture of the region and to gain a sense of how the residents view its development. These contacts with local players were important in achieving a more objective perspective on the issues as well as on the development prospects for each of the subregions.



Overview of the Region

Northeast New Brunswick, traditionally known as the North Shore, is made up of the counties of Restigouche, Gloucester, and Northumberland, and is one of the eleven economic regions of the Maritime provinces. It has a population of 178,450 and covers an area of more than 25,000 km², making it the largest of the regions in surface area and also the least densely populated area in the province. Bathurst and Miramichi are the largest demographic and economic centres. Located between 64° and 69° west longitude and 45° and 48° north latitude, the region is bordered on the east by the Gulf of St. Lawrence and on the north by the Gaspé and Chaleur Bay; the counties of Madawaska, Victoria, York, Sunbury, and Kent form its western and southern boundaries (see map 1).

Owing to its maritime position, Northeast New Brunswick was linked very early on to the international cod trade. Apart from ancient Native trails and coastal navigation, the first land route built after Confederation was the Intercolonial Railway, which ran through the region from north to south. Several more sections were subsequently added, including one between Bathurst and Tracadie. Roads were built in the early years of the twentieth century, and the Peninsula was soon linked to the regional network. Today, in addition to the original road network, there is also a limited-access highway allowing travellers to cross the region in under two hours.

The Native trails providing access to the interior along the Miramichi and Restigouche rivers were later followed by roads that connected the province from east to west. Two other resource-development roads were opened up to improve this link, the first between Renous and Plaster Rock and the second between Bathurst and Saint-Quentin. They were augmented by a southern section which runs along the Tobique River and crosses Mount Carleton Provincial Park.

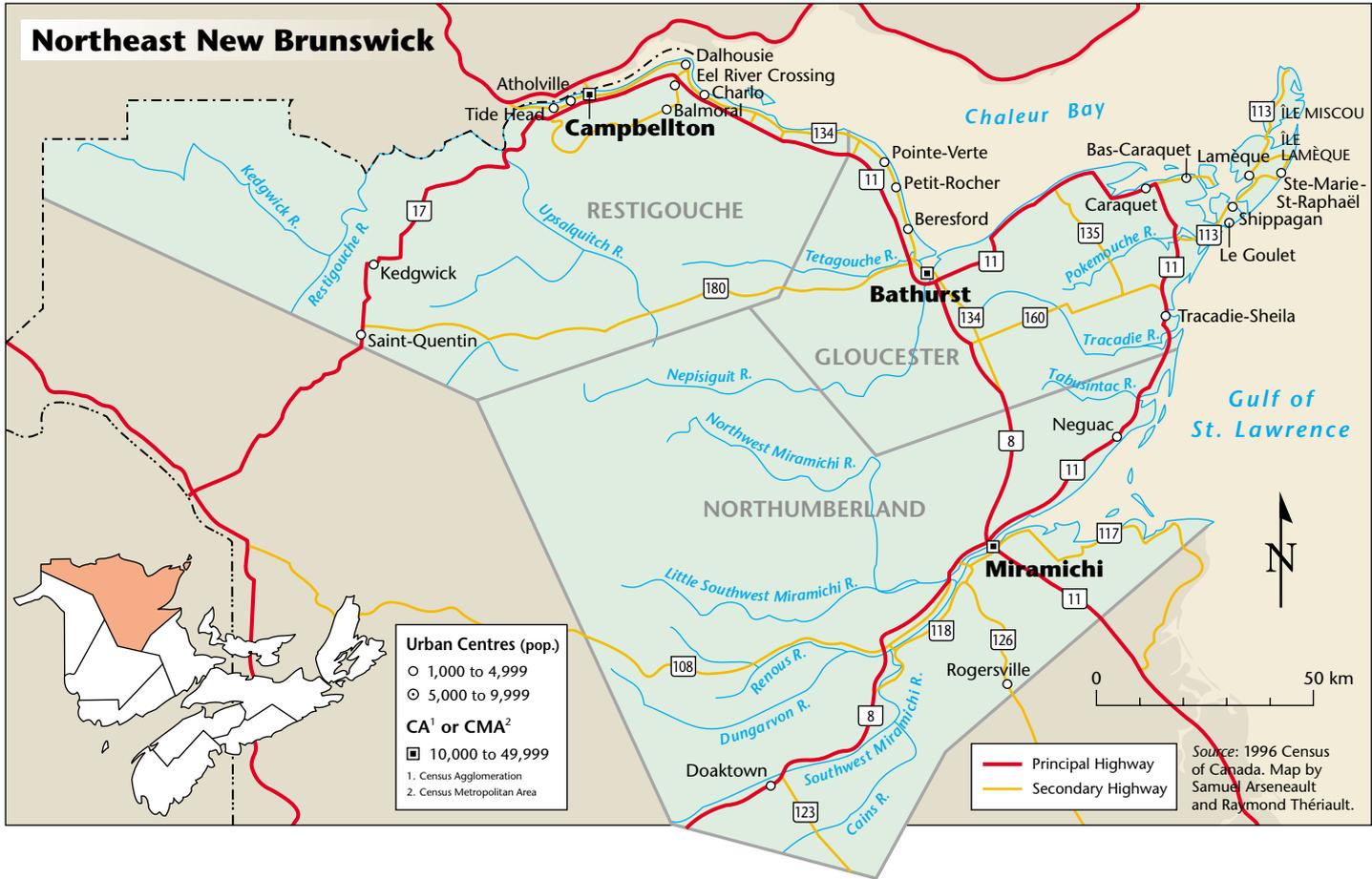
■ Geography, Habitat, Activities

Northeast New Brunswick covers a vast area, and its geography is quite diverse. In describing the region physically, several natural areas that could be considered homogeneous have been distinguished (see map 2): the *Bay and Harbours* and the *Gulf and Beaches* areas form the region's maritime perimeter. Their characteristics are very similar to those of certain parts of Southeast New Brunswick, Northern Nova Scotia, and Prince Edward Island. Inland, three other areas can be distinguished. The first, called *Hills and Glens*, is a ten- to forty-kilometre-wide strip of land that stretches from the north of Kent County to the banks of the Restigouche River. The second, which rises gradually towards the west, is the *Resource-Rich Plateau*, where minerals and the forests are exploited. The third area, called *Watersheds*, towers over the economic region and supplies water to large drainage basins in New Brunswick.

The region's maritime north, called Bay and Harbours, has a varied coastline. At the far end of Chaleur Bay, northwest of Bathurst, the coast is sheltered and has a series of small, gravelly beaches and cliffs formed of very hard rock. The ports of Dalhousie and Bathurst, which were built to serve the pulp and paper mills, must compete with the multifunctional deep-water Port of Belledune, which is accessible year round. To the east, between Salmon Beach and Grande-Anse, the coast is steep and not very accessible. Farther to the east, in the Maisonnette-Miscou area, the coast opens out from behind islands and sand spits to accommodate the large fishing fleet from the ports of Caraquet, Shippagan, and Lamèque.

The low-lying Gulf and Beaches area forms the economic region's maritime eastern edge. It lies between Miscou Point and Escuminac Point, and is dominated by numerous estuaries sheltered behind sandy islands, which are buffeted by strong winds. The area merges into the Peninsula, where two gullies give access to Chaleur Bay. The southern part of the coast is quite jagged, forming a large bay that receives fresh water from the Miramichi basin. Because this coastline is exposed to the gulf, it is necessary to undertake costly projects (breakwaters) to maintain the depth and stability of the gullies and to allow access to the smaller fishing ports between Inkerman and Neguac. The same work must be done to preserve access to the wharves of the Miramichi estuary. Although navigation along this coast is treacherous, it is a paradise for wild birds, which build their nests on the sandy islands and feed from lagoons rich in fish. It also abounds in many kinds of shellfish. As awareness of the

Map 1



environment grows, the coast is likely to become an attractive site for the creation of ecological reserves.

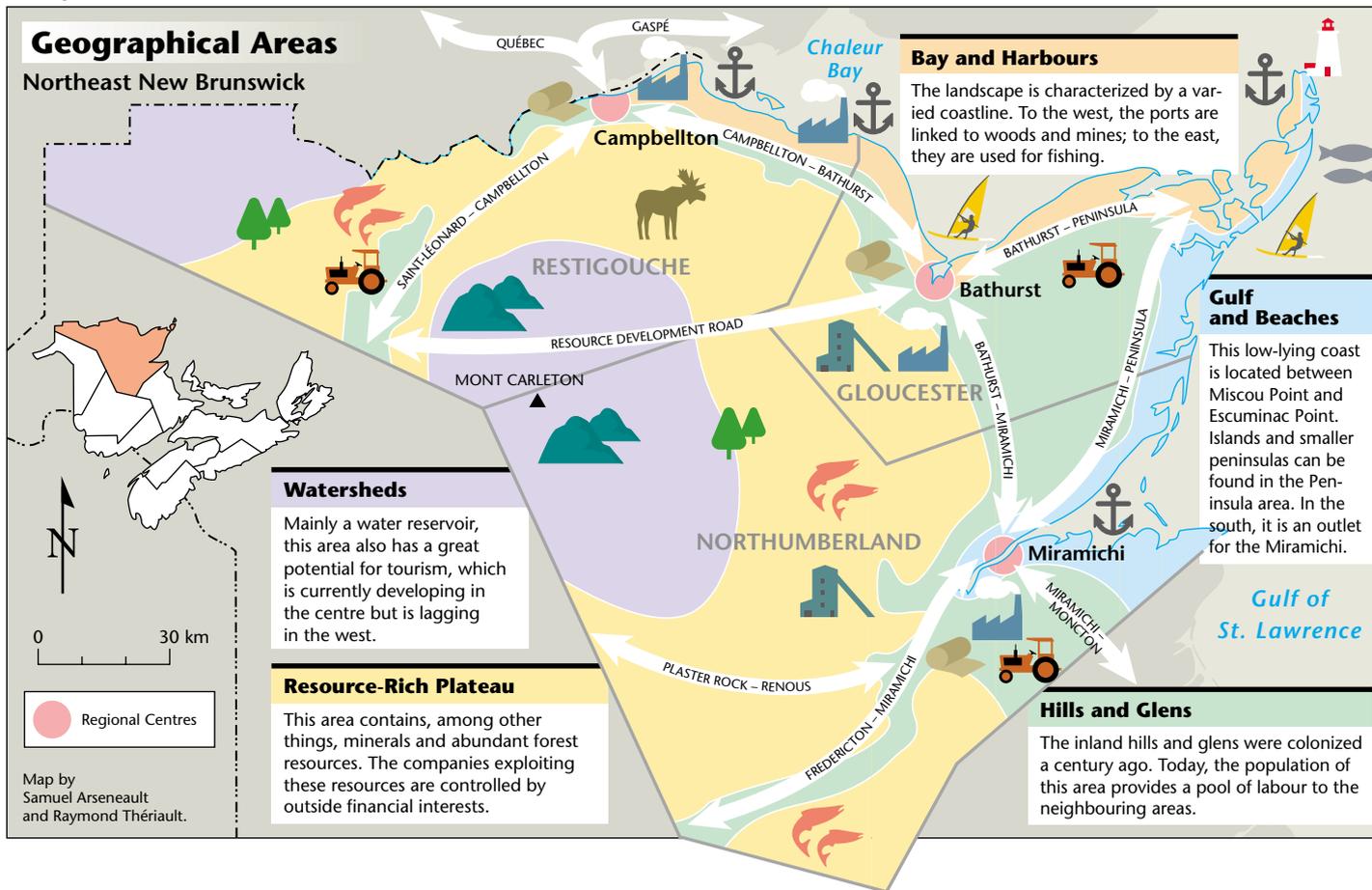
The Hills and Glens were first used by coastal residents for hunting and logging. By the end of the nineteenth century, population pressures and economic crises forced many people in the area to leave their coastal villages and join the movement to colonize the interior. This pioneer front generally remained narrow, rarely exceeding ten kilometres, except in the southeast of Gloucester and Northumberland counties, where it sometimes extended inland between twenty and forty kilometres. The population also spread along the Miramichi Southwest River and reached the Restigouche River plateau with the creation of Kedgwick and Saint-Quentin villages.

The Resource-Rich Plateau is an inland plateau where large companies exploit natural resources, both mineral and plant. It is also a recreational hunting and fishing territory for people from the region and elsewhere. Pressures on the environment from poaching, excessive deforestation, logging of old forests, sedimentation, and the accumulation of heavy metals in watercourses have become major concerns for the people of the region. Moreover, solutions must be found to the illegal logging of certain kinds of maple trees and to the right of access to the forest resources claimed by the Aboriginal people.

A watershed is a high ridge of land that is drained by waters flowing to surrounding rivers, basins, and the sea. There are two watersheds in Northeast New Brunswick. The first, which includes the highest peaks (Mount Sagamook and Mount Carleton [820 m] at the heart of the province), is the source of water for the Upsalquitch, the Nepisiguit, and the large Miramichi basin. The second, in the northwest, feeds the Kedgwick and the Patapédia, which flow into the Restigouche basin. Mount Carleton Park is at the centre of the first watershed. Improvements aimed at boosting tourism, already underway or planned for the area, are an encouraging sign for regional economic development. The other watershed is not easily accessible and straddles the New Brunswick–Quebec border.

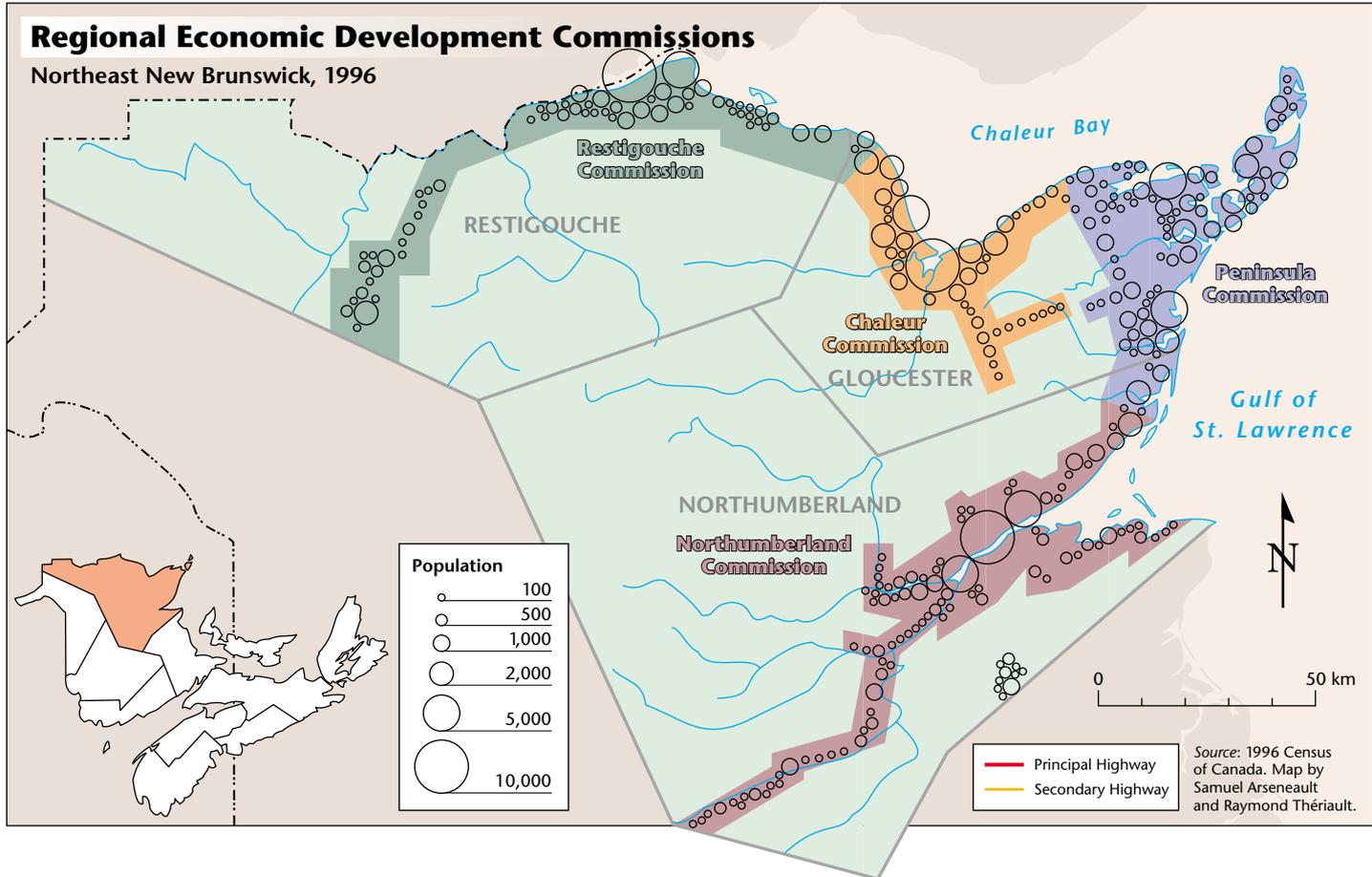
At present, logging as well as sport hunting and fishing seem to be this area's only economic activities. It is important that an inter-provincial agreement be negotiated in order to protect the whole territory. It would be in the interest of both provincial governments to draw up a joint eco-tourism development plan that would take into account the long-term development potential of this geographical area.

Map 2



The Northeast has four development commissions, commonly called Industrial Commissions, which are structured around the regional centres of Campbellton, Bathurst, and Miramichi (see map 3). These regional centres all border on the sea and are all located in either the Bay and Harbours or the Gulf and Beaches area. The geographical location of Bathurst should make it a prime site for the future of the region's urban fabric, even though it has trouble maintaining its population level. The new urban centre of Miramichi is suffering from the effects of the closure of the Canadian Forces base and is counting on the development of new technologies to ensure its future. Miramichi must come to terms with the loss of its military role and its high degree of dependence on the old technologies of logging and mining if it is to prosper. The Dalhousie-Campbellton tandem has seen its population decline by nearly 5 percent since 1991. This loss reflects the high degree of dependence on traditional economic activities, which now require fewer workers. There is hope of revitalizing these towns with an increase in tourist development. On the Acadian Peninsula, the question of development still remains unresolved. It has no regional centre, but on the whole, the population level seems to be stable. This subregion retains a large labour force that is very attached to the region, but it is too highly dependent on seasonal industries, especially on fishing, peat, forestry, and tourism.

Map 3

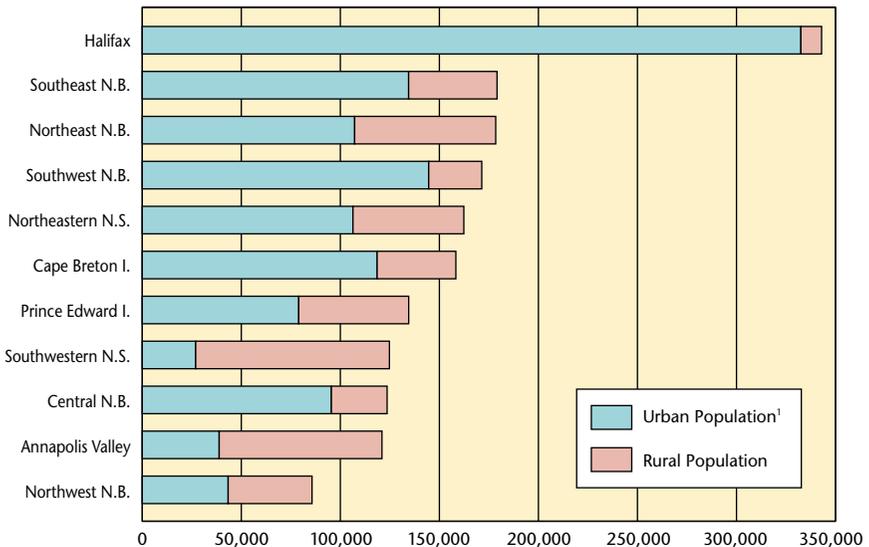




Demographic Profile and Growth

The population of Northeast New Brunswick, which was 178,450 at the last census (1996), is spread over an area of more than 25,000 km², making it the second-largest economic region in the Maritimes. Population density in the region is thus relatively low, with an average of 7.0 inhabitants per square kilometre, compared with 12.1 in the rest of the province and 13.7 in the Maritimes as a whole. The population is not evenly distributed, however, but tends to be concentrated along the coast of the Gulf of St. Lawrence and Chaleur Bay as well as along the main estuaries (see map 4). Until recently, the region ranked second in population, a position which has now been taken over by Southeast New Brunswick; the Halifax economic region is still by far the most populated.

Figure 1
Population of the Eleven Economic Regions of the Maritimes, 1996



Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

1. Areas with a population of 1,000 or more.

The population of Northern New Brunswick is linguistically and culturally mixed. The francophone majority (63.5 percent) is spread out along the coast and in small inland centres. Anglophones live mostly in the main urban centres. According to the 1996 census, residents identifying themselves as Aboriginal number around 2,530 and are clustered in five communities.²

In administrative terms, Northeast New Brunswick is made up of three large counties: Gloucester (population 87,600), Northumberland (52,150), and Restigouche (38,700). Each of these counties has one *urban agglomeration* — Bathurst (population 25,415, or 30,675 if the Belledune–Pointe-Verte area is included), Miramichi (19,241), and Campbellton (16,867).³ In addition to these three urban centres, there are at least four moderate-sized concentrations of people, namely, the areas of Caraquet–Bas-Caraquet (population 9,513, including the neighbouring incorporated localities), Dalhousie-Charlo (7,556, including Eel River Crossing), Tracadie-Sheila (4,773), and Shippagan–Le Goulet (4,739). The total population of these seven urban groupings is 93,364, which represents approximately half of the region's population (52.3 percent). The other small centres, formed into municipalities, include slightly more than 12,500 people, putting the rate of urbanization at 59 percent. This rate is lower than that recorded in the Maritimes as a whole (69 percent). It is also much lower than the rates in the south of the province, which are close to 80 percent. However, four other economic regions — Annapolis, Southwestern Nova Scotia, Prince Edward Island, and Northwest New Brunswick — have higher proportions of the population living in rural areas.

2. Statistics Canada makes a distinction between the population of Aboriginal origin and the total Aboriginal population. In this study we use the latter category, which generally takes into account Aboriginals living outside the reserves.

3. A *census agglomeration* (CA) is defined by Statistics Canada as an urbanized whole made up of an urban core, a fringe or urban suburb, and a rural suburb. The concept of a CA presumes that more than a third of the active population of its rural suburb is economically and socially integrated (by daily commuting) with the urban core. It should be noted that Miramichi is not yet considered a census agglomeration. It is a new entity that was created in 1995 by the provincial government on the basis of an amalgamation of six municipalities and a few local service districts. Statistics Canada, Cat. 92-320.

Map 4

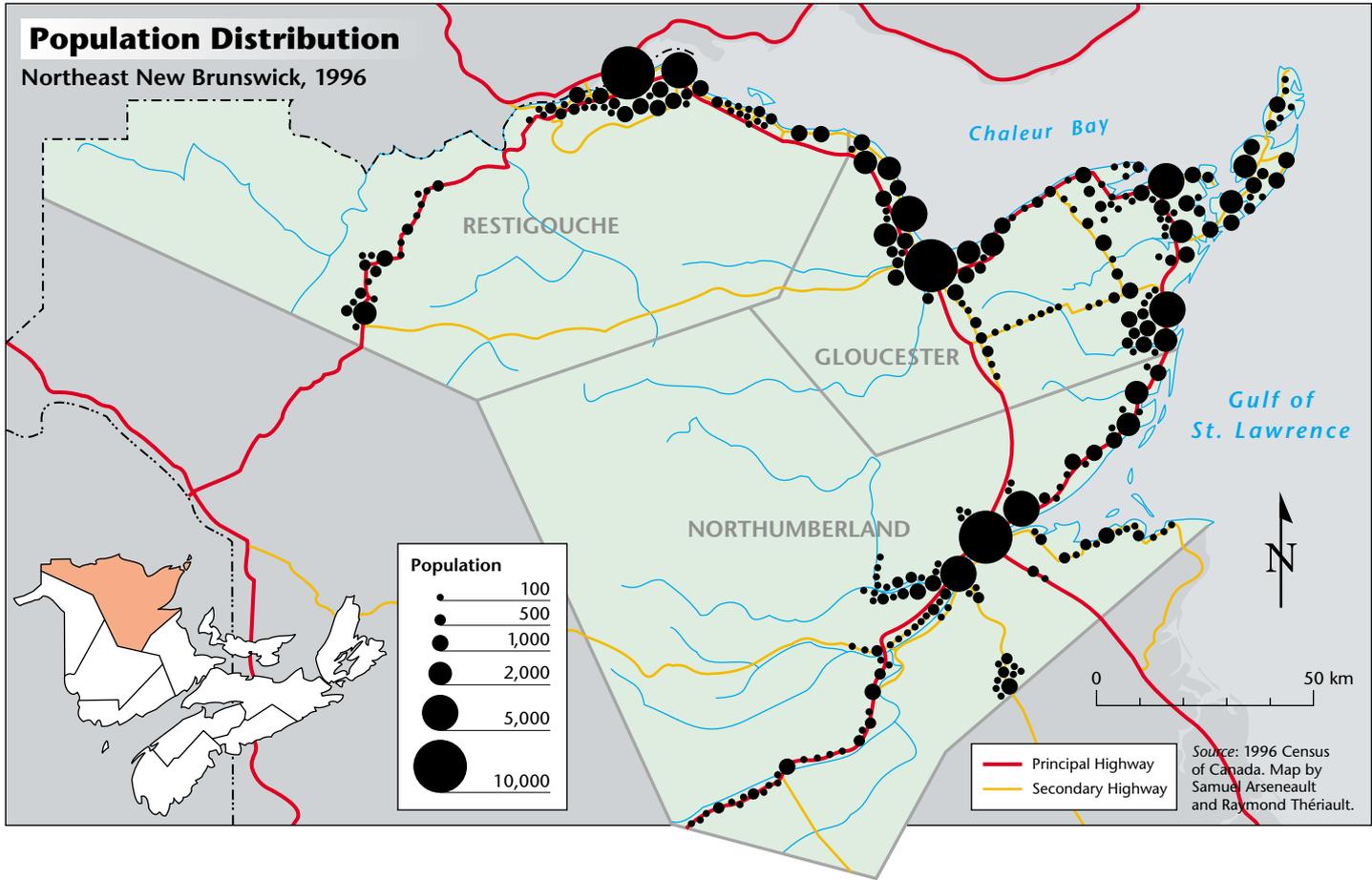
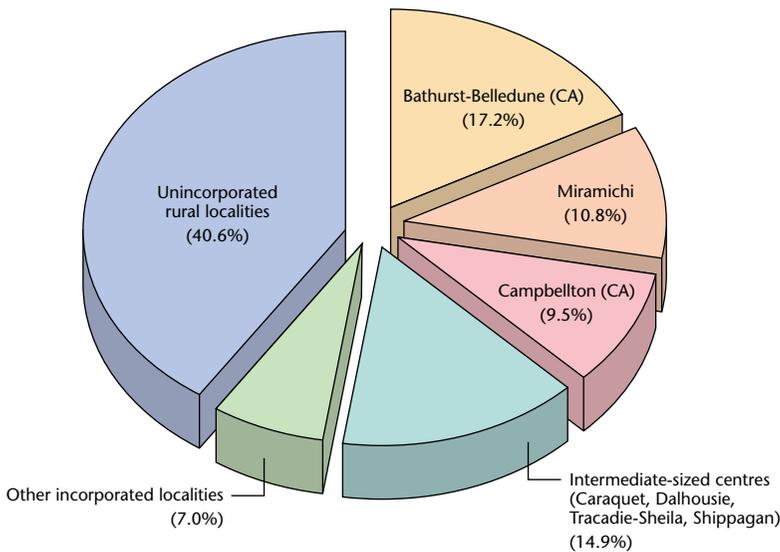


Figure 2
Population Distribution, Northeast New Brunswick, 1996



Source: Statistics Canada, 1996 Census (Cat. 93-304); compiled by Maurice Beaudin.

■ Demographic Trends

Northeast New Brunswick presents a rather mixed demographic picture. On the whole, the region made good progress until the early 1980s, after which the population gradually began to decline — from a peak of 180,883 in 1981 to 178,450 in 1996. The demographic weight of the Northeast has therefore decreased from 26.0 to 24.2 percent of the total provincial population.

Although the decrease in population is evident throughout the region, Restigouche and Northumberland counties are the most seriously affected. At every census since 1971, Restigouche County has recorded a population decrease, while Northumberland County has not made any significant gain since 1981. With regard to the subregions, only the Acadian Peninsula seems to have maintained its population level. For example, during the recent 1991–96 period, this subregion recorded a small but nevertheless positive growth rate of 0.37 percent. The subregion served by the Miramichi Region Development Corporation lost 1,475 people (3.8 percent of the total population), the Chaleur subregion 1,045 people (2.6 percent), and the Restigouche subregion 330 people (1.5 percent).

Table 1
Comparative Population Growth by County, Northeast New Brunswick, 1961–96

	Total Population									
	1961	1966	1971	1976	1981	1986	1991	1996		
Canada	18,238,247	20,014,880	21,568,310	22,992,604	24,343,181	25,309,331	27,296,859	28,846,760		
Maritimes	1,439,572	1,481,362	1,537,111	1,624,050	1,666,351	1,711,250	1,755,598	1,781,970		
New Brunswick	597,936	616,788	634,545	677,250	696,403	709,442	723,900	738,135		
Northwest N.B.	157,351	163,133	167,605	175,539	180,883	180,375	179,844	178,450		
Gloucester	66,343	70,301	74,750	81,025	86,156	87,473	88,101	87,600		
Northumberland	50,035	51,711	51,565	53,894	54,134	52,981	52,983	52,150		
Restigouche	40,973	41,121	41,290	40,620	40,593	39,921	38,760	38,700		
Relative Growth (%)										
	1961–66	1966–71	1971–76	1976–81	1981–86	1986–91	1991–96	1961–96		
Canada	9.74	7.76	6.60	5.87	3.97	7.85	5.68	58.17		
Maritimes	2.90	3.76	5.66	2.60	2.69	2.59	1.50	23.78		
New Brunswick	3.15	2.88	6.73	2.83	1.87	2.04	1.97	23.45		
Northwest N.B.	3.67	2.74	4.73	3.04	-0.28	-0.29	-0.78	13.41		
Gloucester	5.97	6.33	8.39	6.33	1.53	0.72	-0.57	32.04		
Northumberland	3.35	-0.28	4.52	0.45	-2.13	0.00	-1.57	4.23		
Restigouche	0.36	0.41	-1.62	-0.07	-1.66	-2.91	-0.15	-5.55		

Source: Statistics Canada, 1961 to 1996 census data.

Contrary to popular belief, the demographic weakness in the Northeast is due not to a rural exodus but rather to the inability of urban centres to maintain their populations. Indeed, from 1991 to 1996, the combined population of most of the urban concentrations (Bathurst, Miramichi, Campbellton, Dalhousie) declined by 2,842 (4.0 percent). On the other hand, the population of the intermediate-sized centres of Caraquet, Belledune, Tracadie-Sheila, and Shippagan increased by more than 600, representing a net growth rate of 2.6 percent. The population of the small incorporated and unincorporated localities increased by 842, a modest 1.0 percent growth rate.

The Northeast cannot rely on the balance of migration to strengthen its demographic base. The net balance is generally negative, even though the movement of people cannot be called an exodus since the annual loss rarely reaches 1 percent of the total population. In the long term, however, migration will obviously have an effect on the natural growth rate as long as young adults keep leaving. Over the last twenty years, there was a migration surplus only in the 1982–83 period. The loss for the entire region was five hundred or more in fourteen out of nineteen years, with losses of more than one thousand people during seven of those years.

The cumulative losses are thus quite considerable and vary between three and four thousand people for each of the intercensal periods (five years). In total, over the entire period examined (from 1976–77 to 1995–96), Northeast New Brunswick has recorded a cumulative loss of almost 14,500 people. This is not a massive haemorrhage but rather a slow, continuous bleeding, which is detrimental to natural demographic growth. This situation is clearly reflected in the age structure, where there is a proportional deficit in young cohorts (less than 10 years old) as well as young adults (20–34 years old), especially in the Chaleur and Peninsula regions (see figure 4). Although the differences are small, the age-group distribution shows that the population of the Northeast contains a higher proportion of people in the potentially active age range (15–64 years old). Thus, the demographic dependency ratio (DDR) in the region (44.2 percent) is lower than that observed in the rest of the province (47.3 percent).⁴ The result is a growing pressure on the labour market

4. The demographic dependency ratio is the proportion of the generally economically inactive population (0–14 years and 65 years or more) to the population of working age (15–64 years old).

Table 2
Rural-Urban Demographic Evolution,
Northeast New Brunswick, 1991–96

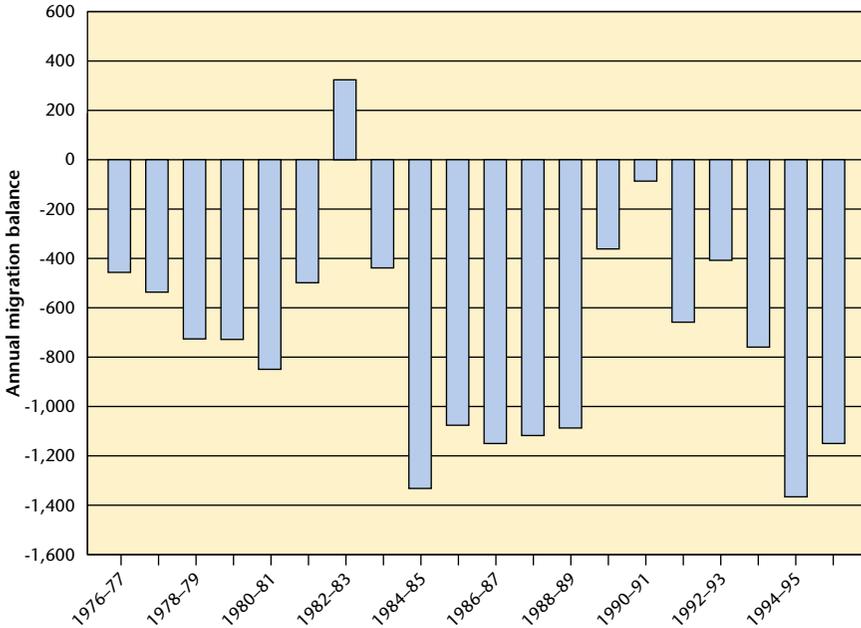
	Population		Demographic Growth	
	1991	1996	1991–96	(%)
Northeast N.B. (economic region)	179,844	178,450	-1,394	-0.78
Northumberland	52,983	52,150	-833	-1.57
Restigouche	38,760	38,700	-60	-0.15
Gloucester	88,101	87,600	-501	-0.57
Bathurst (CA) ¹	25,734	25,415	-319	-1.24
Miramichi ²	21,165	19,241	-1,924	-9.09
Campbellton (CA) ³	17,183	16,867	-316	-1.84
Dalhousie and environs ⁴	7,839	7,556	-283	-3.61
Caraquet and environs ⁵	9,411	9,513	102	1.08
Belledune and environs ⁶	5,268	5,260	-8	-0.15
Tracadie-Sheila and environs ⁷	4,384	4,773	389	8.87
Shippagan and environs ⁸	4,616	4,739	123	2.66
Main urban concentrations	95,600	93,364	-2,236	-2.34
Other incorporated localities	12,444	12,533	89	0.72
Other rural localities (unincorporated)	71,800	72,553	753	1.05

Source: Statistics Canada, Census Divisions and Subdivisions Population, special data; compiled by Maurice Beaudin.

1. Includes the City and Parish of Bathurst, the Town of Beresford, Nigadoo Village, and Papineau.
2. Entity created in 1995 by the provincial government from the amalgamation of six municipalities and several local service districts.
3. City of Campbellton and the villages of Tide Head and Atholville, Addington Parish, Pointe-à-la-Croix, and Restigouche Reserve.
4. Town of Dalhousie and the villages of Charlo and Eel River Crossing.
5. Town of Caraquet, villages of Bertrand and Bas-Caraquet, and districts of Saint-Simon, Blanchard Settlement, and Pokesudie.
6. Villages of Belledune (including Pointe-Verte and Jacquet River) and Petit-Rocher.
7. Town of Tracadie-Sheila.
8. Town of Shippagan, village of Le Goulet, and districts of Petit-Pokemouche, Haut-Shippagan, Pointe-Brûlée, Pointe-Sauvage, and Portage-de-Shippagan.

Figure 3

Annual Migration Balance, Northeast New Brunswick, 1976–96



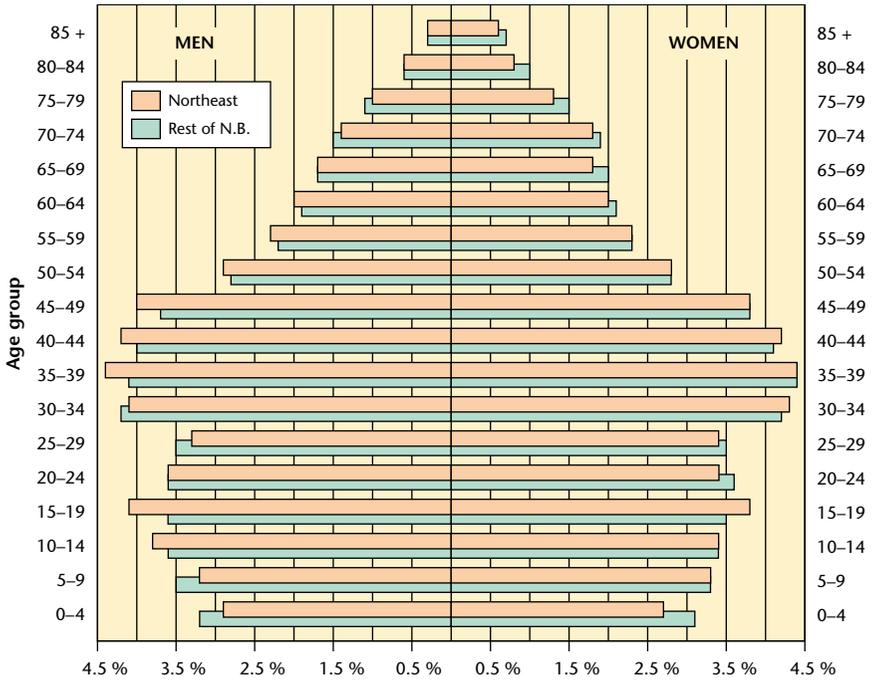
Source: Statistics Canada, Small Area Administrative Unit; data obtained from annual tax records; compiled by Maurice Beaudin.

because there are proportionally more people in the region of working age. And the pressure is all the stronger because the region's economic structure favours early entry into the labour market (a consequence of the importance of resource-related activities).

In the Northeast, Northumberland and Restigouche are the counties most affected by migration. Over the entire period of 1976–77 to 1995–96, migration losses totalled approximately 11 percent of the average population in these two counties, compared with less than 5 percent for Gloucester. It should be noted that since the mid-1980s, the migration loss in Gloucester County has increased.

As regards the origins and destinations of migrants, the data show that half of the migrants come from other New Brunswick regions (6,488 out of 14,419 arrivals) or migrate to other areas of the province (9,540 out of 18,759 departures). The favourite destinations of migrants are the counties of Westmorland (Moncton), York (Fredericton), and Saint John. The Northeast's migration loss, therefore, mainly benefits Southeast New Brunswick, which gained 61

Figure 4
Age Pyramid, Northeast New Brunswick
and the Rest of the Province, 1996



Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

Table 3
Balance of Migration by County and Period,
Northeast New Brunswick, 1976-96

County	Balance of Migration				
	1976-81	1981-86	1986-91	1991-96	1976-96
Gloucester	-321	-843	-1,534	-1,387	-4,085
Northumberland	-1,539	-1,391	-763	-2,087	-5,780
Restigouche	-1,435	-785	-1,506	-866	-4,592
Proportion (%) of Total Population (Mean Intercensal Population)					
Gloucester	-0.38	-0.97	-1.75	-1.58	-4.72
Northumberland	-2.85	-2.60	-1.44	-3.97	-10.85
Restigouche	-3.53	-1.95	-3.83	-2.24	-11.56

Source: Statistics Canada, 1976 to 1996 censuses; compiled by Maurice Beaudin.

percent of the migration losses from the Northeast between 1976 and 1981, and 70 percent between 1991 and 1996. Population flows between the Northeast and the other Atlantic provinces are quite low and, in general, are mainly to and from the urban regions of Halifax, Charlottetown, and St. John's. With regard to Quebec and Ontario, which have traditionally received many New Brunswickers, the data show a moderate loss. It would seem that a large number of the people who migrate to Central Canada tend to return after a number of years, thereby cancelling a part of the losses. Migration losses to the Western provinces have increased in recent years, in particular to Alberta.

Table 4
Origin and Destination of Migrants by Period,
Northeast New Brunswick, 1986-96

	1986-87 to 1990-91			1991-92 to 1995-96		
	Arrivals	Departures	Balance	Arrivals	Departures	Balance
Rest of N.B.	7,104	9,428	-2,324	6,488	9,540	-3,052
Other Atlantic provinces	1,659	2,014	-355	1,218	1,488	-270
Quebec	4,075	4,047	28	2,954	3,067	-113
Ontario	4,858	5,723	-865	2,984	3,081	-97
Western provinces	1,506	1,792	-286	775	1,583	-808
Grand total	19,202	23,004	-3,802	14,419	18,759	-4,340

Source: Statistics Canada, Annual Migration Data; estimated from tax records; compiled by Maurice Beaudin.



The Economy: Structure, Vitality, and Dependence

■ Economic Base

Northeast New Brunswick is especially rich in natural resources. In spite of several decades of intense exploitation, the region still has abundant and diverse resources that are the envy of most other regions. Forestry makes up a large part of its economic base, keeping the major industrial plants in the region busy and stimulating a wide range of other activities through its export revenues. The forest product industry is also very diversified and includes the timber industry (also pulpwood) and the paper and furniture industries. Gloucester, Northumberland, and Restigouche counties have seventy-seven manufacturing plants in the wood sector, which employ approximately five thousand workers.⁵ Restructuring in the timber and pulp and paper sectors has considerably reduced the employment potential of the industry; however, there has been a marked increase in productivity, and the industry has managed to maintain its export advantages while developing leading-edge sectors such as the ultra-modern Repap plant in Miramichi (high-quality finished paper for magazines and advertisements) and the Stone Consolidated plant (chemi-thermo-mechanical pulp) in Bathurst. Although the timber industry is still dominated by the large paper companies, it is gradually diversifying into the production of new by-products (wood-shavings panels, plywood, and specialized construction products). There is also renewed activity in the furniture and milled-wood sector.

The mining industry, which has developed more recently and is controlled by outside interests, is also a major exporter. The total value of mine production was \$900 million in 1997, and almost all of it was located in the North. The region's thirty base-metal deposits make New Brunswick the number one Canadian province for reserves of zinc (39 percent of Canadian commercial deposits), lead (45 percent), and silver (38 percent).⁶ The mining industry is

5. New Brunswick, Department of Economic Development, Tourism and Culture, *Directory of Manufacturers* (Fredericton, 1996).

6. Chaleur Regional Development Commission, *Profile of the Chaleur Region*, April 1993.

characterized by a high degree of vertical integration, but its main business is still extraction. The ore is sent outside the province for secondary and tertiary processing; only the complex linked with the Belledune smelting works carries out metal processing.

The region also produces peat, and its entire production (\$75 million) is exported. The industry has about twelve firms operating twenty or so peat bogs and providing employment to more than six hundred workers. A secondary processing plant, Jiffy Products in Shippagan, also provides ninety jobs on an annual basis.

Northeast New Brunswick is also a major fishing region. Before the groundfish fishing moratorium, 60,000 to 75,000 tons of fish and seafood was landed every year, and as much as 100,000 tons in the early 1970s. The landed volume has since decreased; however, the diversity of stocks and the strength of seafood prices have maintained its landed value (\$76 million in 1997). The production value is estimated to be between \$125 and \$150 million per year. Approximately ten thousand jobs (in fishing, processing, and related activities) are linked to the fishery.⁷

Although these limited data confirm the importance of resources to Northern New Brunswick, it should be remembered that the amount of processing they undergo in the region is limited. Nevertheless, many industries have considerably improved their level of technology during the job rationalization period and have gradually been moving towards greater added value. North American free trade should help stimulate exports and guide production towards less traditional sectors.

Economic Structure

The preceding analysis clearly shows that Northeast New Brunswick is a resource-based region. The extraction and processing of natural resources employ approximately 27 percent of the labour force (35 percent on the Acadian Peninsula), compared with approximately 20 percent in New Brunswick and the Maritimes as a whole (see table 6). The proportion of revenues generated by the resource sector is another indication of its crucial role in the region: nearly a third (32 percent) of employment income is attributed to this sector,

7. Maurice Beaudin, *L'industrie des pêches dans la péninsule acadienne: son profil, sa dynamique et sa capacité à soutenir l'économie régionale*, study commissioned by the Economic Expansion Commission of the Peninsula Inc., Tracadie-Sheila, 1998.

compared with 22 percent in New Brunswick and 20 percent in the Maritimes as a whole (see figures 5 and 6).⁸

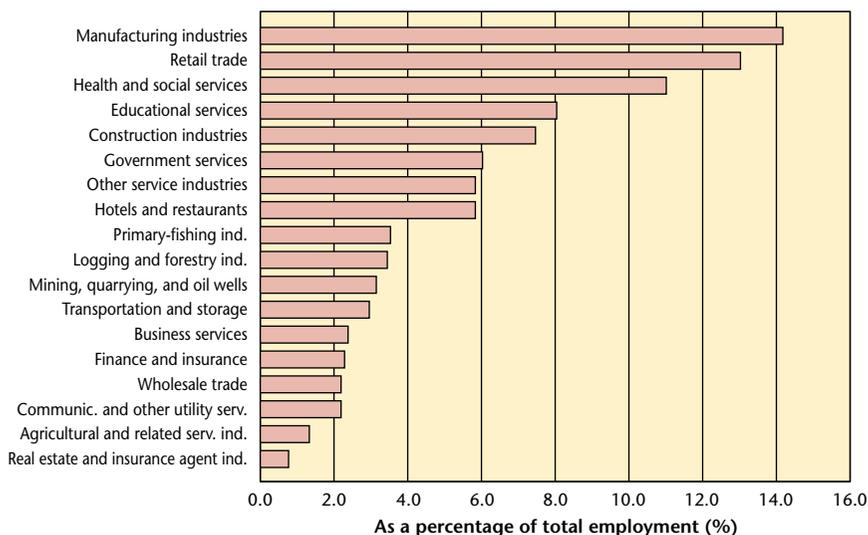
When employment is examined according to industrial sectors (SIC code), the manufacturing industries lead with 14.8 percent of the regional labour force and 18.1 percent of employment income. Next are retail trade (13.6 percent of workers and 8.6 percent of income), health services (11.5 percent of jobs and 13.1 percent of income), and primary activities (12.0 percent of workers and 14.3 percent of income).

In addition to the resource sector, two other groups of activities are of paramount importance to Northeast New Brunswick. One is the public sector, which includes health services, educational services, government administration, and defence. This sector employs 26 percent of the labour force and brings in 31 percent of employment income. Although its contribution to the economy is considerable, it is still below the average for the province and the Maritimes. The other important sector is dynamic services, which include transportation, communications, wholesale trade, financial services, the real estate and insurance sectors, and business services. These industries, characterized as dynamic, are strategically important, much more important than their direct contribution of jobs and income would indicate. These activities usually have greater added value and take place in larger and more competitive markets. Moreover, dynamic services are an essential component in the production and distribution of goods and services, because they provide products that are used in practically all economic sectors. Similarly, innovation in dynamic services often gives rise to an impetus for change and innovation in other sectors, especially in the manufacturing industries.

However, dynamic services tend to be concentrated in the large agglomerations, where highly qualified labour is readily available, complementary activities (administrative, banking, management, and research services) facilitate access to information and personal contacts, and head offices of large companies producing goods and services are located. Thus, in a region like the Northeast, where the urban fabric is undeveloped, it is not surprising to find such a small proportion of “dynamic” jobs: they employ only 13.4 percent of the

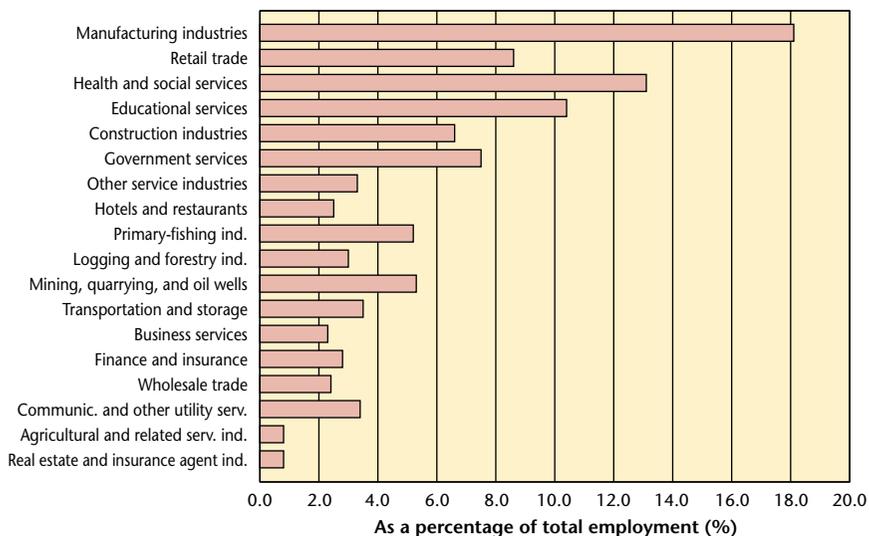
8. The resource sector comprises the primary exploitation of raw materials from the earth, the forests, and the sea as well as the processing of these materials (the manufacturing industries).

Figure 5
Distribution of Employment by Sector,
Northeast New Brunswick, 1996



Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

Figure 6
Distribution of Employment Income by Sector,
Northeast New Brunswick, 1996



Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

labour force and provide 15.3 percent of employment income. In the entire province, this group of activities generates 20.2 percent of jobs and 24.6 percent of employment income. It must be said that data on the Acadian Peninsula lower the regional average considerably, since less than 10 percent of its labour force is linked to this sector. The fact that this subregion is primarily rural and lacks a large urban concentration explains why dynamic services are so poorly represented.

The situation is similar for public sector jobs (education, health, and government administration), which account for a smaller proportion of the labour force and employment income in the Northeast than in the province and the Maritimes as a whole. Moreover, such jobs have a hierarchical wage scale that puts rural and semirural regions at a disadvantage, simply because the central, public, and parapublic agencies are generally concentrated in the provincial capitals or in sizeable urban agglomerations. It should be pointed out, however, that wage scales for jobs in the public sector are the same across the province, and the only reason that rural and semirural regions have proportionally fewer of these jobs is because proportionally fewer senior level managers live in these areas. It in no way indicates that they are the victims of discrimination.

To sum up, Northeast New Brunswick's public sector and dynamic industries are at a disadvantage for two reasons: (1) its economy has proportionally fewer jobs in these sectors, and (2) these jobs generate less of the region's income than they do in the province or the Maritimes. This is what *structural effects* means. To express it in more concrete terms, compared with the province and the Maritimes as a whole, the Northeast has a deficit in jobs and income in a number of strategic fields, thereby reducing its global income. The cause of this deficit is the structural differences in the region's economy in relation to the economy of the Maritimes.

The Effects of Structure: Adversity on the Acadian Peninsula

In what way does the structure of the region's economy differ from that of the Maritimes as a whole? To better understand structural effects, the job distribution by sector in the Northeast was compared with that of the Maritimes.⁹ For example, the region's primary sector

9. It is preferable to compare the Northeast to an area that is large and economically diversified. Several of the Maritimes' eleven economic regions have an economy like Northeast New Brunswick's that is based on natural resources, while other regions are more urbanized.

Table 5
Relative Importance of Major Groups of Activities by Subregion, 1996

	Share of Employment (%)								
	Canada	Maritimes	N.B.	Northeast N.B.	Peninsula	Chaleur	Restigouche	Miramichi	
Primary industries	5.6	7.6	7.4	12.0	16.4	10.2	9.0	10.9	
Manufacturing industries	14.3	11.7	13.1	14.8	19.0	11.4	13.5	14.5	
Goods-manufacturing industries	25.7	25.8	27.3	34.7	45.1	28.4	29.0	32.5	
Dynamic services	24.5	19.9	20.2	13.4	9.7	16.6	13.7	13.2	
Public services	23.3	27.5	26.6	26.1	20.9	27.2	30.7	25.8	
	Share of Employment Income (%)								
Primary industries	5.0	7.0	6.9	14.2	22.3	15.0	7.6	10.0	
Manufacturing industries	16.9	13.3	15.3	18.1	13.9	15.0	20.5	23.9	
Goods-manufacturing industries	27.3	26.1	28.2	38.9	45.0	35.1	33.1	40.6	
Dynamic services	29.9	24.1	24.6	15.3	11.2	17.4	15.8	15.1	
Public services	26.9	33.8	31.9	31.0	26.5	32.1	36.3	29.5	

Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

employs proportionally one and a half times more workers than the Maritimes as a whole. Only the agricultural industry is below this ratio, its relative share being roughly half that of the Maritimes. The Acadian Peninsula has a greater share of jobs in the primary sector, mainly because of the fishing and mining industries, whereas the Restigouche subregion employs the smallest share of primary sector workers.

One other interesting point is that the manufacturing sector is more predominant in the Northeast than in the Maritimes as a whole. Only in the Chaleur subregion is the level slightly below the Maritime average. In contrast, the public sector employs proportionally fewer people in the Northeast; however, the overall difference with the Maritimes is small. The Restigouche subregion is the most fortunate in its public sector employment because it has proportionally more government employees than the Maritimes as a whole. The Peninsula is the least fortunate, with an index of only 0.76 when compared with the Maritimes. It is mainly in the public administration and defence services that the entire Northeast region, and the Peninsula in particular, are below average in the number of public sector jobs.

When compared with the whole of the Maritimes, it is in the area of dynamic services that the region's employment structure is the least developed. It trails far behind in wholesale trade, insurance and real estate services, and business services. As to the number of workers, the relative size of these three sectors only amounts to between 55 and 61 percent of those same sectors in the rest of the Maritimes. The region fares better in transportation and communications, the relative size of which is still only 72 percent of the average for the Maritimes. It is only in the field of finance that the Northeast comes close to the Maritime average, and for once the Peninsula does not lag behind. Its favourable position is undoubtedly attributable to the *Mouvement coopératif acadien* and its strong presence in the communities.

We have highlighted the industrial sectors that are most responsible for the region's deficit and, conversely, those that have contributed to the strengthening of its economic base, although the importance of that contribution remains to be seen. First, it is known that the average income per worker in the Northeast is only slightly lower than in the Maritimes as a whole (\$21,121 versus \$22,766 in 1996). The region's participation rate (participation of adults aged fifteen and over in the labour market) is also comparable to the Maritime

Table 6
Comparative Economic Structure by Subregion,
Northeast New Brunswick, 1996
(Index for Maritimes = 1.00)

Resource sector	Acadian Peninsula	Chaleur	Restigouche	Miramichi	Northeast N.B.
Primary sector	2.16	1.34	1.18	1.42	1.58
Agriculture	0.58	0.36	0.82	0.47	0.51
Forestry	1.78	1.48	3.79	3.29	2.33
Fishing	3.81	0.40	0.25	0.78	1.59
Mining	3.20	6.17	0.27	2.68	3.34
Dynamic services	0.48	0.83	0.69	0.66	0.67
Transportation and storage	0.46	0.60	0.96	0.88	0.72
Communication and other utility services	0.50	1.03	0.77	0.58	0.72
Wholesale trade	0.42	0.80	0.37	0.61	0.55
Finance and insurance	0.94	0.92	0.73	0.62	0.91
Real estate and insurance agent ind.	0.31	0.49	0.94	0.62	0.56
Business services	0.32	1.01	0.55	0.59	0.61
Public sector	0.76	0.99	1.12	0.94	0.95
Education	1.05	1.10	1.09	1.11	1.13
Health and social services	0.82	0.97	1.46	0.96	1.06
Public administration and defence	0.46	0.92	0.73	0.78	0.67
Manufacturing	1.63	0.97	1.16	1.24	1.27
Construction	1.49	1.05	0.99	1.10	1.20
Retail trade	0.93	1.15	1.01	1.11	1.05
Hotels and restaurants	0.83	0.95	1.07	1.11	0.91
Other services	0.89	0.89	0.92	0.93	0.86

Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

Note: Index values greater than 1 (which appear in boldface in the table) indicate that compared with the Maritimes as a whole, a larger share of the region's labour force is concentrated in these sectors.

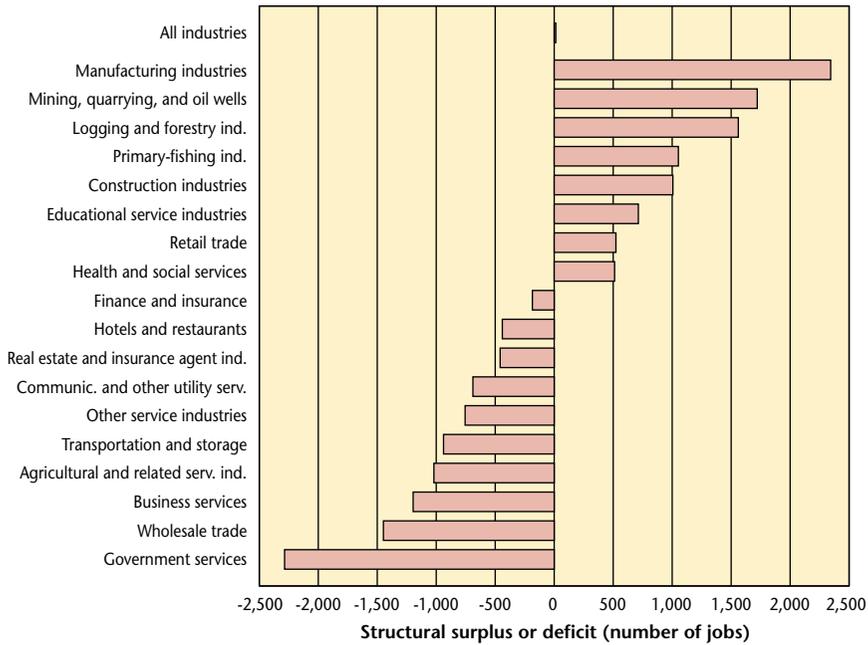
rate (52.3 percent versus 51.1 percent), although the employment rate (ratio of working population to total population) is higher in the Maritimes, and the length of that employment is much greater than in Northeast New Brunswick. Seasonal workers account for 32 percent of the region's labour force, compared with an average of 17.6 percent for the Maritimes. The frequency of seasonal work obviously has an effect on the unemployment rate, which is considerably higher (19.3 percent) than in the Maritimes overall (11.5 percent). These fundamental differences are partly the result of the structural effects that were highlighted above as well as the extent of seasonal work.

To better define these structural effects and assess their impact, the structural surplus and deficit in employment and employment income in the major economic sectors were calculated for 1996. Results for the Northeast appear in the following figures.

Figure 7 shows that in comparison with the Maritimes, Northeast New Brunswick does not suffer from a marked deficit in employment. Moreover, the rate of participation in the labour market is more or less the same for both. However, the situation varies greatly from one sector to another. The Northeast is clearly in a better position in the resource-based industries (primary and manufacturing activities), where there is a surplus of 5,657 jobs. In other words, the region's resource sector has proportionally more jobs than the Maritimes as a whole. This surplus also translates into employment income, which is as much as \$165 million (see figure 8). In contrast, the Northeast has a structural deficit in dynamic services and the public sector, two major areas of activity. While this difference has hardly any effect on employment, it is reflected in employment income. In other words, this structural deficit has a greater impact on wages than on the number of jobs.

Although the Northeast clearly benefits from advantages in the natural resources sector (except in agriculture), the same cannot be said for the public sector and dynamic services. In the public sector, the Northeast has a structural deficit which translates into a loss of potential earnings equivalent to 1,063 jobs and \$86 million in direct income. In other words, if the region were to have the same economic structure as the rest of the Maritimes, its jobs and income would increase by those amounts. In spite of these problems, the region's educational and health services seem in no way inadequate. Although its structural deficit is attributable to government services

Figure 7
Impact of Structure on Employment in Northeast New Brunswick as Compared with the Maritimes, 1996

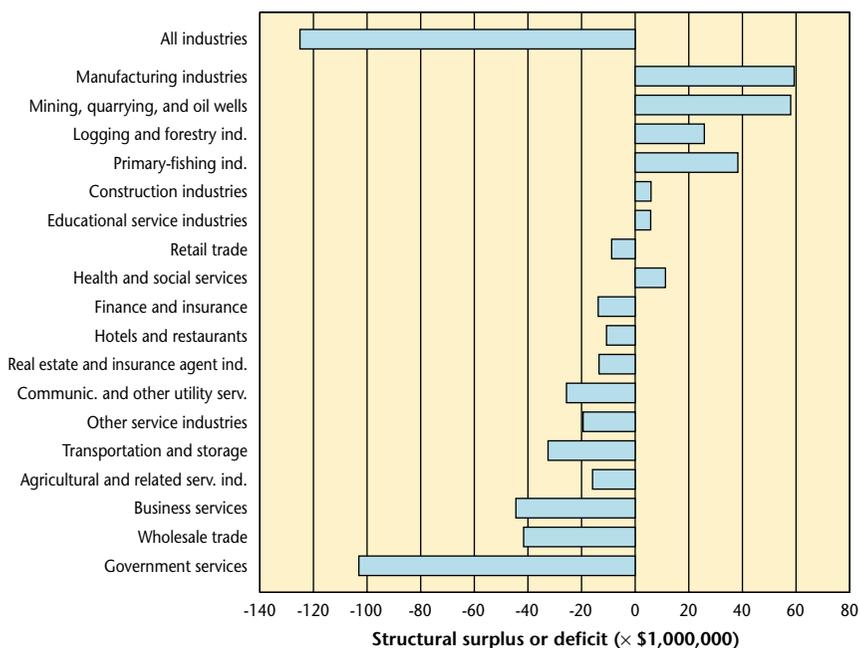


Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

(public administration and defence), the real weaknesses are found in dynamic services. Relative to the overall structure of the Maritime economy, these sectors in the Northeast show a deficit of 4,920 jobs, a deficit equivalent to \$171.5 million in lost earnings. Only the construction sector has been spared. The region also suffers a heavy deficit in wholesale trade, business services, and transportation. These deficits or surpluses in the number of jobs and employment income are, of course, purely hypothetical, but the differences do accurately reflect the structural deficiencies of Northeast New Brunswick's economy.

To conclude this examination of structural effects, we examined the relative situation of each of the subregions — that is, the geographical areas covered by the regional economic development commissions. Table 7 indicates to what degree each of the subregions is different from the regional model.

Figure 8
Impact of Structure on Employment Income in
Northeast New Brunswick as Compared with the Maritimes, 1996



Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

The results clearly show the several areas in which the relative position of the Northeast is weakened by the Acadian Peninsula. Structurally speaking, when compared to the Maritimes, the Chaleur and Miramichi subregions have only a slight deficit in employment, and the loss of earnings (in employment income) is negligible (less than \$1 million). They do, however, have a deficit in government services, especially the Miramichi, and in dynamic services. Nevertheless, their strong base in the resource sector, especially in forestry and mining, helps restore the balance. The situation of the subregion served by the Restigouche Industrial Commission is rather different. Although from a structural standpoint it shows no signs of an employment deficit, it does have a significant deficit in employment income (\$20 million). This deficit is mainly attributable to the weakness of dynamic services. Like its neighbours, the region has a significant structural deficit in government services, but it makes up for it in health and social services.

Table 7

Effects of Structure by Subregion in Northeast New Brunswick as Compared with the Maritimes, 1996

	Northeast N.B.		Acadian Peninsula		Chaleur		Restigouche		Miramichi	
	Jobs	Employment Income (\$)	Jobs	Employment Income (\$)	Jobs	Employment Income (\$)	Jobs	Employment Income (\$)	Jobs	Employment Income (\$)
Agriculture and related service ind.	-1,021	-15,943,785	-319	-6,527,988	-317	-4,471,010	-93	-911,333	-272	-4,241,076
Primary-fishing industries	1,052	38,294,630	1,662	55,034,558	-241	-6,325,954	-268	-8,169,290	-81	-3,551,535
Logging and forestry industries	1,561	25,773,977	218	-347,105	95	1,036,280	521	11,525,228	610	10,685,322
Mining, quarrying and oil wells	1,721	58,030,779	542	7,503,489	943	41,618,224	-96	-3,592,649	308	9,365,382
Subtotal – primary industries	3,313	106,155,601	2,103	55,662,954	481	3,857,541	64	-1,148,044	564	12,258,093
Transportation and storage	-939	-32,524,296	-572	-19,331,944	-308	-11,418,881	-2	-2,139,553	-64	-1,063,643
Communic. and other utility serv.	-690	-25,557,571	-436	-17,710,680	63	-221,211	-90	-1,428,434	-242	-7,834,302
Wholesale trade	-1,449	-41,613,514	-587	-18,742,098	-155	-3,183,535	-411	-11,946,420	-275	-7,844,324
Finance and insurance	-186	-13,756,624	63	-2,245,013	-28	-3,543,575	-83	-4,362,632	-154	-5,149,083
Real estate and insur. agent ind.	-459	-13,474,743	-241	-6,434,931	-120	-2,803,178	-3	-1,301,278	-100	-3,220,719

Business services	-1,197	-44,548,193	-643	-19,523,364	15	-4,925,382	-283	-9,364,995	-276	-11,103,325
Subtotal – dynamic services	-4,920	-171,474,942	-2,416	-83,988,031	-533	-26,095,762	-871	-30,543,311	-1,112	-36,215,396
Health and social services	511	11,268,160	-321	-13,416,528	0	2,551,507	853	23,671,876	-12	-3,559,256
Educational services	713	5,849,665	216	-4,690,715	161	3,075,881	184	1,998,047	114	1,856,809
Government services	-2,287	-103,185,610	-1,268	-51,831,971	-198	-11,389,989	-420	-22,711,009	-379	-17,842,882
Subtotal – public services	-1,063	-86,067,785	-1,374	-69,939,214	-37	-5,762,601	616	2,958,913	-278	-19,545,329
Manufacturing industries	2,344	59,286,199	1,424	-18,429,611	-89	-7,509,248	383	21,714,963	624	44,044,675
Construction industries	1,005	5,850,948	763	3,537,103	65	-3,036,879	-27	-4,136,777	119	3,254,721
Retail trade	522	-8,803,751	-107	-9,796,447	335	1,096,836	48	-3,481,916	267	607,822
Hotels and restaurants	-441	-10,695,004	-367	-6,645,346	-119	-2,056,927	-7	-1,119,862	34	-1,567,158
Other service industries	-756	-19,361,037	-258	-8,839,041	-163	-4,277,970	-208	-4,364,782	-189	-3,340,726
All industries	3	-125,109,771	-229	-138,437,632	-61	-766,515	-1	-20,120,815	29	-503,299

Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

The Acadian Peninsula is clearly in a class by itself. This subregion is backward in practically all sectors of the economy, except for the fishing, mining, and construction industries. Compared with the whole of the Maritimes, the Peninsula has a large surplus in the fisheries sector (1,662 jobs and \$55 million in income), which is not surprising given the industry's dominant position in the local economy. Those who work in the fishery make a good income, approximately \$29,361 in 1996, which compares with an average income of only \$21,121 for the economy as a whole. The average income of fishers on the Peninsula is 16.6 percent higher than that of fishers in the Maritimes.

The Peninsula is also faring well in the mining sector. The peat industry and jobs in the mines in the Bathurst region contribute to this favourable picture. However, unlike the neighbouring subregions, which make more profit from the high value-added manufacturing industry, the manufacturing sector on the Peninsula appears to be extremely fragile. It is not sufficiently diversified, and the range of activities is limited. At least 70 percent of manufacturing jobs revolve around the fish-processing sector, where wages are low and jobs are short-term. With a structural deficit equivalent to 1,424 jobs and \$18.4 million in income compared with the Maritimes as a whole, the Peninsula's manufacturing sector only weakens the region's relative economic position.

The structural weakness of the Acadian Peninsula is just as evident in the services sectors. The structural deficit is as much as 2,416 jobs and \$84 million in dynamic services, and no sector is unaffected. As for public services, the region has a deficit in the three branches of activity, but in contrast with the other subregions, the loss of income is high in health and social services (321 jobs and \$13.4 million) and in government services (1,268 jobs and \$52 million). In a nutshell, the economy of the Acadian Peninsula is so depressed that it drags down the relative productivity of the entire Northeast.

Several factors account for the Peninsula's unenviable economic position. Taken together, they result in profound structural problems which undermine both productivity and wages. For example, until recently the economy of the Peninsula was closed: the subregion is in the far northeast end of the province and transportation is limited. The small domestic market seems to have little effect on the resources field since the export sector is highly developed, but it contributes to the stagnation of a number of activities, especially

the retail trade and several dynamic services. Furthermore, outside investors are reluctant to come to the subregion because of its geographical isolation and the absence of a major urban centre, which is a real constraint. However, the basic problem is undoubtedly the seasonal nature of most of the industries that employ a large proportion of the labour force.

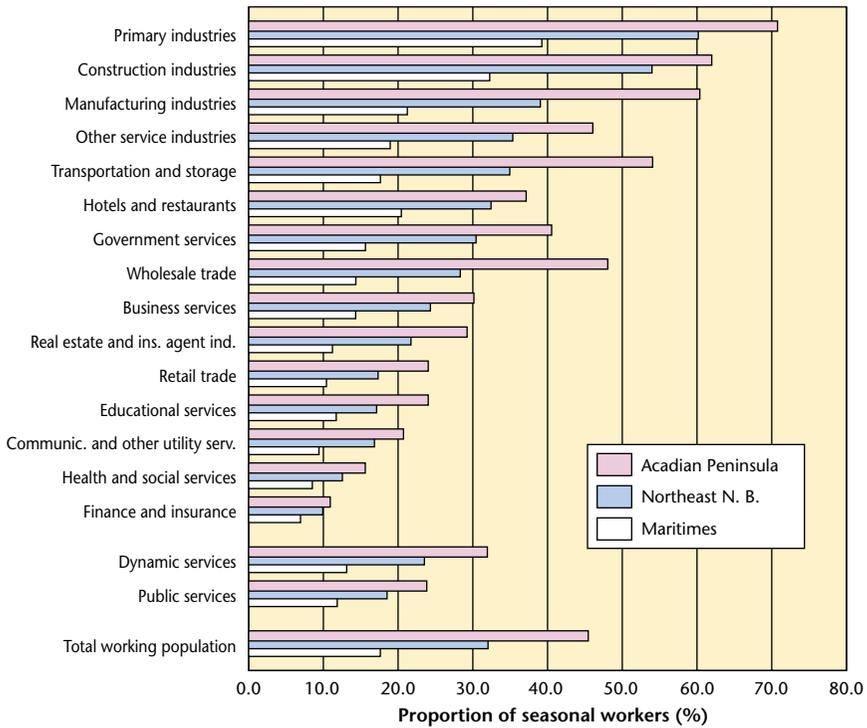
This seasonal factor can seriously undermine the productivity of firms. The sectors most affected are primary activities, processing and construction, and a number of traditional services, particularly those related to the tourist industry. Moreover, the more intense or widespread the seasonal aspect, the greater its influence on other sectors. The highly seasonal nature of activities in the resource industries, for example, has the effect of reducing the period of work in sectors generally considered as dynamic or economic engines, such as business services and the transportation industry, which exist in part to meet the needs of seasonal industries.

The make-up of the economic activities in Northeast New Brunswick reveals structural deficiencies, the causes of which are largely found in the highly seasonal nature of the economy. In fact, 32 percent of the regional labour force is seasonally employed, compared with 17.6 percent in the Maritimes and 19.8 percent in New Brunswick.¹⁰ This is the highest proportion of seasonal workers in the eleven economic regions of the Maritimes. Moreover, far from improving, the seasonal problem tends to be worsening because of the depletion of natural resources and the increasing adoption of new technologies.

The natural resources sector in Northeast New Brunswick is dominated by large integrated firms (pulp and paper and minerals) on the one hand and by the fisheries on the other. The activities related to both sectors are essentially different, as are the types of jobs, duration of work, and wages. For example, the manufacturing industry on the Acadian Peninsula is largely based on fish processing; it thus employs a majority of seasonal workers and generates a very low average income (\$12,825). In the neighbouring subregions of Chaleur,

10. Seasonal work is not recorded as such in the economy. Statistics Canada divides up the labour force according to work period, distinguishing between full-time and part-time work (each includes two subgroups: those who have worked more than twenty-seven weeks and those who have worked twenty-seven weeks or less). It is difficult to determine the number of seasonal workers precisely, since the nature of seasonal work is not clearly defined and can take many forms. We are therefore restricting ourselves to the category of full-time workers who have not worked more than half the year.

Figure 9
Proportion of Seasonal Workers by Sector and Region, 1996



Source: Statistics Canada, 1996 Census, special data; compiled by Maurice Beaudin.

Restigouche, and Miramichi, the average income in the manufacturing sector varies from \$30,000 to \$36,000, and the proportion of seasonal workers fluctuates between 18 and 29 percent. However, on a proportional basis, the manufacturing industry on the Peninsula employs more workers than any of the other subregions. The seasonality of employment is also detrimental to the Peninsula in the primary-fishing sector, where eight out of ten workers are seasonal. This compares with 59 percent for the Maritimes as a whole, where fishing activities are generally more spread out over the year, especially on the Atlantic coast. When goods-manufacturing industries are examined as a whole (construction and primary and manufacturing industries), the proportion of seasonal workers is 29 percent in the Maritimes, compared with 50 percent in Northeast New Brunswick and 64 percent on the Acadian Peninsula. A similar situation exists for dynamic services, where the proportion of seasonal

workers varies: 13 percent in the Maritimes, 23.5 percent in Northeast New Brunswick, 32 percent on the Peninsula, and so on.

Finally, the proportion of seasonal employment is twice as great in the Northeast (32 percent) as in the rest of the province (16 percent) and the Maritimes (17.6 percent), and even three times greater in the Acadian Peninsula, where 45 percent of the labour force is seasonal. The magnitude of the problem of seasonal employment in Northern New Brunswick has repercussions on practically every economic sector. It has a negative effect on income levels and ultimately on the region's economic vitality, and it influences investment decisions (e.g., buying real estate or new equipment). In fact, 32 percent of the labour force (the proportion of seasonal workers) is underemployed, accounting for only 18 percent of the region's employment income. This means that a third of the workforce is underproductive, which has a damaging effect on the productivity and competitiveness of firms. This labour force, which is employed only intermittently or during peak periods, sits idle for the rest of the year, living on passive income-support programs.

Quality of the Labour Force

The quality of the labour force can be evaluated using a variety of indicators — for example, work experience, vertical (within the firm) and horizontal (between different economic sectors) flexibility, and worker mobility. Although there is little accurate information on these indicators for Northeast New Brunswick, it is known that emigration is weakening the quality of the labour force as the more skilled, better educated, and, therefore, more mobile workers are attracted to regions with greater employment opportunities. This loss to Northeast New Brunswick may not be excessive, but it is continuous: since the mid-1970s, the region has recorded a cumulative deficit of approximately fifteen thousand people — significant enough to be qualified as a brain drain.

Education is another widely used and accurate measure of labour force quality. There is a definite relationship between educational level and labour market indicators. In a document published recently by the Department of Human Resources Development (Fredericton), a strong correlation between these variables was established for New Brunswick (see table 8).

Table 8
Employment and Unemployment Rates
by Educational Attainment, New Brunswick, 1997

Educational Attainment	Employment Rate (%)	Unemployment Rate (%)
0 to grade 8	23.9	23.0
High school not completed	47.5	19.7
High school completed	70.9	13.2
Partial postsecondary	64.1	13.9
Postsecondary certificate or diploma	73.8	10.1
University degree	82.0	5.2
Total	60.1	12.8

Source: Samuel LeBreton, *Labour Market Annual Averages for New Brunswick* (Fredericton: Human Resources Development Canada, New Brunswick Region, April 1998).

Based on Statistics Canada's most recent census data (see table 9), slightly more than a third (34.1 percent) of the labour force in Northeast New Brunswick has not completed high school (see table 9). This is significantly higher than the provincial and Maritime averages (27.1 percent for both). It should be pointed out, however, that compared with the province, both the Chaleur and Miramichi subregions are notable for having only a slightly higher proportion of undereducated workers (less than grade 12), whereas the figure for the Restigouche subregion is significantly higher. It is mainly the Peninsula which brings down the region's educational level.

The situation is the reverse for university education: 12.5 percent of workers in the Northeast have a university degree (bachelor's degree or higher), compared with 15.9 percent in New Brunswick and 17.6 percent in the Maritimes. Although the differences are considerable, they are understood to be the effects of emigration from the Northeast.

When the data are broken down according to educational attainment for the major industry groups, the same subregional differences appear, but with slight differences at both the sectoral and the subregional levels. Thus, the model for educational attainment in the goods-manufacturing industries is very similar to the model for the entire economy. However, educational level differs in dynamic services and the public sector. Dynamic services in the Northeast employ 12.0 percent of workers who hold a university degree, a lower

Table 9
Educational Attainment of Working Population by Subregion
and by Major Groups of Activities, 1996

	Entire Economy		Goods-manufacturing Ind.		Dynamic Services		Public Services	
	- than Gr.12 (%)	Univ. Deg. (%)	- than Gr.12 (%)	Univ. Deg. (%)	- than Gr.12 (%)	Univ. Deg. (%)	- than Gr.12 (%)	Univ. Deg. (%)
Maritimes	27.1	17.6	40.4	6.8	22.1	18.0	13.4	34.6
N.B.	27.1	15.9	39.9	6.1	21.2	15.8	13.7	33.8
Northeast N.B.	34.1	12.5	47.1	4.0	27.3	12.0	16.3	31.8
Peninsula	41.6	13.2	56.7	2.4	29.1	23.3	18.5	37.4
Chaleur	28.7	13.1	36.9	7.1	22.8	8.4	14.2	30.7
Restigouche	34.9	12.8	47.1	3.7	32.7	8.6	19.0	29.9
Miramichi	28.0	11.0	36.0	4.1	25.4	8.3	12.7	28.5

Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

proportion than for the entire province (15.8 percent) and the Maritimes (18.0 percent). Once again the Peninsula influences the regional indicator, since its dynamic services sector employs 23.3 percent of university graduates. Over three-quarters of these workers are employed in the finance and insurance sectors and in business services. This concentration is due to the strong presence of the caisses populaires and the Mouvement coopératif acadien, which generally hire university graduates, and to a whole range of professional services linked to the resource sectors (independent fishers and fish-processing plants, for example). Again, it should be noted that the Peninsula's dynamic services sector is small.

A similar phenomenon is seen in the public sector, where the Peninsula has a higher proportion of both university graduates and workers with minimal education. It would be risky to attempt to explain the reasons for this here; however, it seems that the low level of labour market diversification provides few opportunities for workers with middling qualifications. In other words, highly qualified workers and undereducated workers are more easily integrated into the economy than other categories of workers. Thus, the Peninsula has proportionally as many, if not more, university graduates than the neighbouring subregions but a much higher proportion of less-educated workers. It should be noted that the average

income of a university graduate on the Peninsula is still relatively low (\$26,600 in 1996) compared with the neighbouring subregions, where it varies between \$32,000 and \$34,500, which is close to the provincial average of \$34,500.

A better-educated labour force generally has more employment opportunities, suffers fewer layoffs, and, as a result, generates higher incomes. While these indicators may vary according to regional contexts or even cyclical economic circumstances, they are rarely wrong. The labour market participation rate, income levels, and the frequency and length of unemployment are closely related to educational attainment. Regardless of their size or field of activity, all firms need workers who are capable of adapting to the changing work environment. The experience and mobility of workers are assets, but in most cases it is their qualifications, expressed as years of education, that make the difference. The higher the educational level, the better a worker can adapt to and take on the complex and changing tasks of the information economy. In light of the above information, it is clear that Northeast New Brunswick and, more particularly, the Acadian Peninsula must commit more of their resources to labour force training. Many new jobs are highly technical or are more closely involved with customers, and they can only be done by a well-trained workforce.

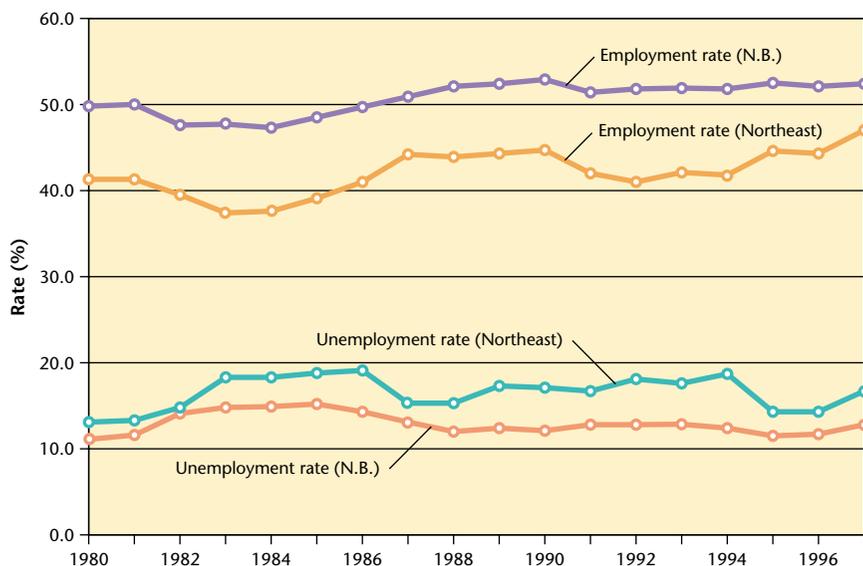
■ Regional Labour Market

Although Northeast New Brunswick's total population has been relatively stable since the early 1980s, the labour market has expanded considerably, with most of the gains having been made in the 1980s. The labour market is dominated by an ageing population (the fifteen-years-and-older age group has increased by twenty-three thousand [18.3 percent]) and by the massive entry of women into the job market. However, the number of the unemployed has also increased sharply, rising from eight thousand in the early 1980s to fourteen thousand in 1997, an increase of 75 percent.

Both the particular mix of industries and the rate of participation in the labour market are important, because the potential for generating income increases in relation to the number of people who have a job. Northeast New Brunswick appears to be on the right track, since a growing proportion of adults are entering the job market: the employment rate (ratio of working population to total popula-

tion) rose from 41 percent in the early 1980s to 47 percent by 1997.¹¹ The gap of eight to ten percentage points in relation to the province has narrowed somewhat since 1995 and was only five percentage points in 1997. It should be underlined, however, that the employment rate can change suddenly in any given year. According to official data from the *Labour Force Survey*, the unemployment rate in the Northeast is three to five percentage points higher than in the province overall.

Figure 10
Change in Rates of Employment and Unemployment
in Northeast New Brunswick and the Entire Province, 1980–97



Source: Statistics Canada, *Labour Force Survey*; data provided by Human Resources Development Canada, 1998.

What is the situation in the subregions? Since data from the *Labour Force Survey* cannot be broken down by subregion, we have used 1996 census data, which provide this information for census subdivisions. It should be noted, however, that these data are essentially different and cannot be compared with data from the *Survey*.¹² Participation and unemployment rates are presented in table 10.

11. Caution must be exercised when comparing *Labour Force Survey* data with census data (see table 10), because information at the point of origin is not tallied in the same way.

12. The *Labour Force Survey* is based on a national sample of households, which are monitored on a monthly basis. Results are reliable for whole areas (provinces and, to a certain extent, economic regions), but not for subregions, for which census data must be used. Socio-

Table 10**Employment, Participation, and Unemployment Rates by Subregion, 1996**

	Employment Rate (%)	Participation Rate (%)	Unemployment Rate (%)
Maritimes	46.3	57.8	11.5
N.B.	46.5	57.8	12.7
Northeast N.B.	42.3	52.3	19.3
Peninsula	40.7	50.1	23.5
Chaleur	44.1	54.2	13.6
Restigouche	41.0	51.2	18.6
Miramichi	44.3	54.8	19.3

Source: Statistics Canada, 1996 Census; compiled by Maurice Beaudin.

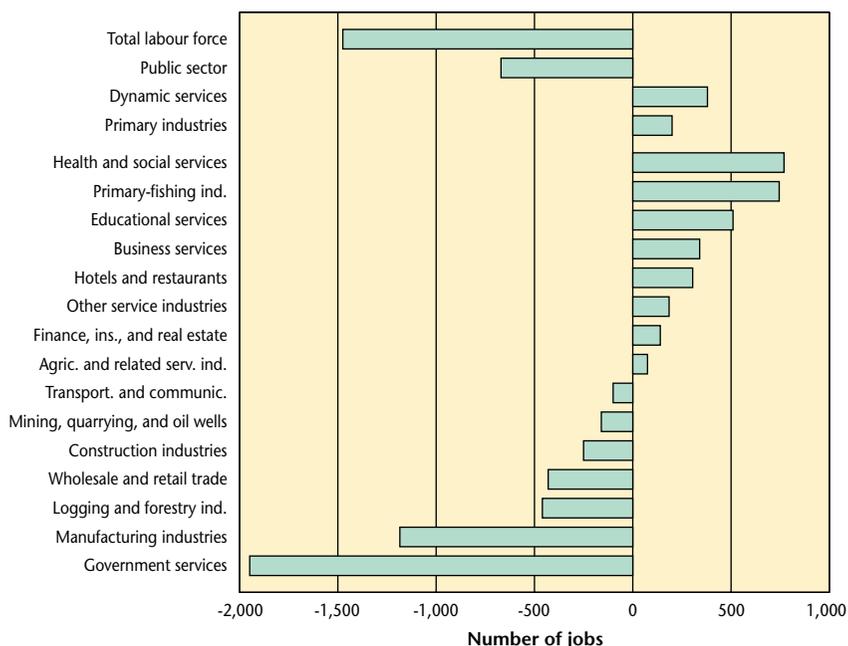
Table 10 shows that the employment rate is lower in Northeast New Brunswick (42.3 percent) than in the province as a whole and in the Maritimes, where it exceeds 46 percent. In the Peninsula and Restigouche subregions, only 41 percent of the population is involved in the labour market. Similar differences are seen in the participation rate. Data on the unemployment rate show the opposite: the Acadian Peninsula has by far the highest proportion of unemployed (23.5 percent), followed by Miramichi (19.3 percent) and Restigouche (18.6 percent). All of the subregions far exceed the provincial average (12.7 percent).

Employment Situation, 1991–96

The economy of Northeast New Brunswick was hit hard in the first half of the 1990s. From 1991 to 1996, the region's labour force decreased by 1,475 workers, a 1.9 percent loss. Elsewhere in New Brunswick, the working population increased by 8,330 people, a 3.2 percent net growth. It goes without saying that the closure of the Canadian Forces base in the Miramichi and the reduction of jobs in the mining, paper, and fish-processing industries were largely responsible for the declines in employment. In fact, the job cuts in the resource-based industries and the downsizing of the public sector have considerably reduced the region's purchasing power, which, as figure 11 shows, has had a negative impact on both the retail trade and the construction industry.

economic census data are collected from a representative sample of 20 percent of households in all the regions, but they are only produced once every five years, and they reflect the situation when the questionnaire is mailed in June.

Figure 11
Change in Employment by Sector, Northeast New Brunswick, 1991–96



Source: Statistics Canada, 1991 and 1996 census data; compiled by Maurice Beaudin.

As can be seen, the deficit is particularly high in the government services sector. The closure of the military base in the Miramichi and the rationalization of the provincial public service have contributed to this situation. As well, the resource sector, which is tied to large industry (primary and secondary activities in the minerals and pulp and paper sectors), was badly shaken by the recession in the early 1990s and has been unable to recover its losses. There have been gains, however: in the fields of education and health (1,300 jobs), in the primary-fishing industries (745 additional jobs), in business services (340 jobs), in the hotel and restaurant sector (305 jobs), and in financial services (140 jobs). Another encouraging sign is an increase in the number of so-called dynamic jobs in the business services and finance sectors. These two branches of activity together have added a total of 480 jobs to the regional economy during the first half of the 1990s. This increase is mainly due to the strong presence of the banking sector and to the phenomenon of self-employment. As the public sector and big business rationalize their workforces, an

Table 11
Change in Employment by Sector, Region, and County, 1991-96

	Absolute Growth						Relative Growth (%)							
	Glou- cester		Northum- berland		Resti- gouche		North- berland		Glou- cester		Resti- gouche		North- east N.B.	
	N.B.		N.B.		N.B.		N.B.		N.B.		N.B.		N.B.	
Total labour force	6,855	-750	-130	-595	-1,475	2.0	-2.0	-0.6	-3.6	-1.9				
Agricultural and related serv. ind.	585	-85	105	55	75	7.8	-17.9	45.7	20.0	7.7				
Primary-fishing industries	1,175	455	245	45	745	25.1	28.3	60.5	69.2	35.8				
Logging and forestry	-995	-100	-270	-90	-460	-12.0	-11.7	-18.2	-10.5	-14.4				
Mining and quarrying	-460	-295	195	-60	-160	-10.2	-14.3	45.9	-48.0	-6.1				
Manufacturing industries	-1,445	-1,150	20	-55	-1,185	-3.1	-17.5	0.6	-2.2	-9.6				
Construction industries	-55	-245	85	-90	-250	-0.2	-7.5	4.8	-8.3	-4.1				
Transport. and communic.	1,890	105	-120	-85	-100	6.8	6.5	-8.6	-7.0	-2.4				
Trade	-985	-90	15	-355	-430	-1.7	-1.4	0.4	-13.6	-3.5				
Finance, insurance, and real estate	15	-25	65	100	140	0.1	-1.9	14.3	23.3	6.3				
Business services	3,025	175	120	45	340	28.4	20.3	33.3	15.3	22.4				
Government services	-6,160	-515	-1,205	-230	-1,950	-17.6	-19.2	-44.1	-18.3	-29.2				
Educational services	695	370	95	45	510	2.8	13.1	5.7	3.5	8.8				
Health and social services	3,965	335	465	-30	770	12.1	9.6	25.3	-1.2	9.8				
Hotels and restaurants	2,385	175	5	125	305	12.1	9.1	0.3	13.8	7.1				
Other service industries	3,145	130	70	-15	185	15.4	5.8	5.5	-1.7	4.2				
Primary industries	305	-25	275	-50	200	1.2	-0.5	10.8	-3.8	2.3				
Dynamic services	4,930	255	65	60	380	9.7	6.7	2.9	3.1	4.8				
Public sector	-1,500	190	-645	-215	-670	-1.6	2.1	-10.3	-4.2	-3.3				

Source: Statistics Canada, 1991 and 1996 census data; compiled by Maurice Beaudin.

increasing number of employees are striking out on their own. Indeed, information from tax records shows that the number of self-employed workers has risen steadily in the Northeast, from 7,460 in 1992 to 8,800 in 1996, an increase of 18 percent. This same trend can be observed elsewhere in the province and the Maritimes.

At the county level, Restigouche County was the most severely affected, with a net loss of nearly 600 jobs (a 3.6 percent decline). The situation was also gloomy in Gloucester, with a loss of 750 jobs or a 2.0 percent decline. Northumberland County managed to curb its losses in government services jobs with a significant increase in the number of workers in health and social services as well as in primary activities (except for logging).

■ Income and Economic Dependence

What are the income levels in Northern New Brunswick? How do they compare with those in the rest of the province and the Maritimes? How have they changed during the 1990s? What are the sources of income? What is the degree of dependence on transfer payments? This kind of information is essential both for completing the socio-economic profile of the Northeast and for assessing its economic potential. In this section, we will attempt to highlight the dominant features of income in the region as based on selected indicators.

According to information obtained from 1996 tax records (Statistics Canada's Small Area Administrative Unit), Northeast New Brunswick's total per capita income is around 92 percent of the provincial average. This figure includes all types of income, e.g., paid or independent work, investment income, pensions and other types of transfer payments, etc. By comparison, New Brunswick's income level is 83.5 percent of the national average (see table 12). At the subregional level, Chaleur leads in per capita income and even exceeds the provincial average. The Miramichi subregion follows closely, while Restigouche and especially the Peninsula trail quite far behind.

Regional differences remain and are even widening. Thus, besides noticing that average employment income in the regions is higher than average per capita income, which is as one would expect, it is revealing to look at the comparative income differences between a number of administrative levels. For example, provincially, the average income per worker in New Brunswick is 25 percent lower than the national average; regionally, the Northeast is at 88 percent

Table 12
Income Index by Subregion, 1996

	Average Total Income Per Capita		Average Employment Income (\$)			
	(\$)	(N.B. Index = 100)	Men	Women	Total	(N.B. Index = 100)
Northeast N.B.	14,605	91.8	23,210	13,613	19,030	88.2
Chaleur	16,493	103.6	26,863	14,873	21,711	100.6
Miramichi	15,178	95.4	25,909	14,267	20,857	96.6
Restigouche	13,908	87.4	23,427	14,836	19,699	91.3
Peninsula	12,895	81.0	18,724	11,594	15,557	72.1
N.B.	15,914	100.0	26,269	15,906	21,586	100.0
Rest of N.B.	16,331	102.6	27,257	16,585	22,380	103.7
Maritimes	16,062	100.9	26,302	16,317	21,773	100.9
Canada	19,051	119.7	32,609	20,437	26,992	125.0

Source: Statistics Canada, Small Area Administrative Unit; compiled by Maurice Beaudin.

of the provincial average but 15 percentage points behind the rest of the province; and subregionally, Miramichi and Chaleur are in a good relative position within the province, but Restigouche and especially the Peninsula have fallen behind. Here again is evidence that worker's income levels accurately reflect the economy's structural weaknesses (see section entitled "Economic Structure"). They also reveal an enormous need for income transfers, especially EI. We shall examine this question of socio-economic dependence, but not before looking at the sources of income.

Information obtained from tax records shows that the share of earned income directly generated by either paid employment or independent work is lower in Northeast New Brunswick (63.7 percent) than in the rest of the province (68.8 percent). At the subregional level, Chaleur's position is satisfactory and in fact exceeds the provincial average. The Miramichi and Restigouche subregions also fare quite well and are only a few percentage points behind the province. On the Acadian Peninsula, however, the labour force's employment income accounts for only 57.7 percent of total income — hardly surprising given its structural problems: limited economic diversification and the extent of seasonal employment.

Income not derived from employment comes from a variety of sources: investments (2.4 percent of total income in the Northeast),

Table 13
Sources of Income by Subregion, 1996

	Employment Income (%)	Investment Transfers (%)	Government Income (%)	Other Income (%)	Total (%)
Northeast N.B.	63.7	2.4	26.1	7.7	100.0
Chaleur	69.8	2.1	21.3	6.7	100.0
Miramichi	65.3	2.7	22.4	9.6	100.0
Restigouche	63.4	2.8	25.2	8.6	100.0
Peninsula	57.7	2.3	33.5	6.5	100.0
N.B.	67.6	3.5	19.1	9.8	100.0
Rest of N.B.	68.8	3.8	17.1	10.4	100.0
Maritimes	66.5	3.8	18.7	11.0	100.0
Canada	71.6	5.3	13.9	9.2	100.0

Source: Statistics Canada, Small Area Administrative Unit; compiled by Maurice Beaudin.

private pension plans, savings, and, of course, government transfer payments. On the whole, income from sources other than employment or government social transfer payments makes up between 10 and 15 percent of total income, not enough to create significant interregional imbalances. For example, even though the share of investment income and income generated by RRSPs is much lower in the Northeast than in the rest of New Brunswick (37 percent and 20 percent lower respectively), they only amount to between 3 and 5 percent of total income. The real problem, as has already been pointed out, is the comparatively low proportion of the region's total income that is income from employment, a deficiency that would no doubt be much greater if it were not for government transfer payments. Given that social transfer payments are such a varied and important source of income for Northeast New Brunswick, they should be examined more closely. Table 14 outlines the principal kinds of benefits.

It should first be mentioned that taken as a whole, government transfer payments amount to over one-quarter (26.1 percent) of all income in Northeast New Brunswick, which compares with 17.1 percent in the rest of New Brunswick, 18.7 percent in the Maritimes, and approximately 13.9 percent in Canada. The only other economic region in the Maritimes that relies more heavily on income transfers is Cape Breton, where they make up 28.8 percent of all income.

Table 14
Principal Components of Government Transfer Payments by Subregion, 1996

		Amount of Transfers (x \$1,000)					
	All Transfer Payments	Employment Insurance	Old Age Pension	Canada Pension Plan	Social Assistance	Other Government Transfers ¹	
Northeast N.B.	681,194	261,463	150,543	113,392	80,936	74,859	
Chaleur	141,214	45,048	33,023	27,186	19,082	16,352	
Miramichi	135,890	46,755	32,598	27,174	14,083	14,675	
Restigouche	128,217	42,941	28,647	27,392	14,045	14,796	
Peninsula	253,826	119,216	50,204	28,168	31,261	23,269	
N.B.	2,241,796	642,699	576,900	503,217	237,851	281,126	
Rest of N.B.	1,560,602	381,236	426,357	389,825	156,915	206,267	
Maritimes	5,339,236	1,363,341	1,383,154	1,314,688	571,332	706,717	
Canada	76,145,742	11,830,127	19,688,259	19,824,898	10,868,469	11,863,812	
		Share of Transfers (%)					
Northeast N.B.	100.0	38.4	22.1	16.6	11.9	11.0	
Chaleur	100.0	31.9	23.4	19.3	13.5	11.6	
Miramichi	100.0	34.4	24.0	20.0	10.4	10.8	
Restigouche	100.0	33.5	22.3	21.4	11.0	11.5	
Peninsula	100.0	47.0	19.8	11.1	12.3	9.2	
N.B.	100.0	28.7	25.7	22.4	10.6	12.5	
Rest of N.B.	100.0	24.4	27.3	25.0	10.1	13.2	
Maritimes	100.0	25.5	25.9	24.6	10.7	13.2	
Canada	100.0	15.5	25.9	26.0	14.3	15.6	

Source: Statistics Canada, Small Area Administrative Unit; compiled by Maurice Beaudin.

Note: Data for the Northeast correspond to the counties and not to the postal regions. This is why an amount may differ from the sum of the four subregions.

1. Child tax allowances, the GST rebate, and workers' compensation benefits.

Three types of transfer payments — employment insurance (EI), old age pensions, and the Canada Pension Plan — together total 77 percent of income transfers. Social assistance payments amount to between 10 and 12 percent, while the rest comes from child tax allowances, the GST rebate (tax credit), and workers' compensation benefits. The relative share of each type of transfer payment obviously varies from subregion to subregion.

Employment insurance benefits total 38.4 percent of government transfer payments to Northeast New Brunswick, the largest of all transfer payments to the region. Elsewhere in the province, the share of employment insurance in all income transfers to individuals is only 24.4 percent. The average is 25.5 percent in the Maritimes and only 15.5 percent in Canada. There are also considerable differences within the region. The Chaleur, Miramichi, and Restigouche counties receive nearly a third (32 to 34 percent) of their income transfers in the form of EI benefits, which is much higher than in the rest of New Brunswick. On the Acadian Peninsula, income from employment insurance represents 47 percent of all transfer payments; social assistance payments also account for a very large share. These data illustrate the high degree of socio-economic dependence on income transfers in the subregions.

Table 15
Economic Dependence on Employment Insurance by Subregion, 1996

	Share of Employment Insurance in Transfers (%)	Dependence on Employment Insurance ¹ (%)	Frequency of Unemployment ² (%)
Northeast N.B.	38.4	15.7	48.9
Chaleur	31.9	9.8	39.0
Miramichi	34.4	11.8	41.7
Restigouche	33.5	13.3	44.9
Peninsula	47.0	27.2	63.5
N.B.	28.7	8.1	33.4
Rest of N.B.	24.4	6.1	28.5
Maritimes	25.5	7.2	30.6
Canada	15.5	3.0	18.0

Source: Statistics Canada, Small Area Administrative Unit; compiled by Maurice Beaudin.

1. Ratio of employment insurance to employment earnings.
2. Proportion of tax filers (tax records) reporting employment income who have actually received employment insurance benefits during the year.

Our data confirm a much higher degree of dependence on employment insurance in Northeast New Brunswick than in the other regions. Payments made under this program amount to 15.7 percent of employment earnings in the region; that is more than twice the level in the rest of the province (6.1 percent). In the Maritimes, the index of economic dependence on employment insurance (EDEI) is 7.2 percent; in Canada it is only 3 percent. At the subregional level, Chaleur seems to be less affected by unemployment, although its EDEI index is above the provincial average; Miramichi ranks second, but its index is approximately one and a half times the provincial level; Restigouche is third, a position it holds for a number of socio-economic indicators; and the Acadian Peninsula trails far behind with a worrying EDEI index of 27.2 percent — nearly three and a half times the provincial average and nine times the national average. Few subregions of comparable size in the country are as dependent on employment insurance. This dependence is borne out by the fact that 63.5 percent of those who reported employment income to Revenue Canada in 1996 received EI benefits. In other words, nearly two out of three workers on the Acadian Peninsula resort to this program during the year. These statistics confirm once again the Peninsula's low level of economic diversification and especially its high level of seasonal employment.

Table 16
Employment Insurance Benefits Paid by Subregion, 1993 and 1996

	1993	1996	1993–1996 Variation	
	(× \$1,000,000)	(× \$1,000,000)	(× \$1,000,000)	(%)
Northeast N.B.	350.0	253.9	-96.1	-27.5
Chaleur	66.0	45.0	-21.0	-31.8
Miramichi	60.5	46.8	-13.7	-22.7
Restigouche	59.0	42.9	-16.1	-27.3
Peninsula	164.5	119.2	-45.3	-27.5
N.B.	839.7	642.7	-197.0	-23.5
Rest of N.B.	489.7	388.8	-100.9	-20.6
Maritimes	1,828.1	1,363.3	-464.8	-25.4

Source: Data for 1993 were adjusted according to region by Statistics Canada's Small Area Administrative Unit for the Atlantic Canada Opportunities Agency; 1996 data came from the same source but were compiled by Maurice Beaudin for the subregions.

Note: Data for the Northeast subregions may vary according to the source because of area demarcations.

It should be pointed out, however, that dependence on government transfer payments is on the decrease as a result of the national reform of social programs, particularly the changes that led to the adoption of a new Employment Insurance Program. Thus, employment insurance payments in the Maritimes dropped by \$465 million from 1993 to 1996 (that is, by more than 25 percent in three years) — and the major impact of the reform was still to come. In New Brunswick, the decrease is estimated at \$197 million (23.5 percent). A decline in payments was also experienced in Northeast New Brunswick, where EI benefits decreased by \$96 million (27.5 percent) during the same period. What this means is that approximately a million dollars of transfer payments has been drained from the region's economy, a huge loss for a region that is not only struggling with restructuring its resource activities but is also paying a price for the downsizing of the province's public sector.



An Overview of Economic Development

■ The Framework of New Brunswick's Regional Economic Development

There is a plethora of government departments, agencies, and organizations working in the field of economic development in New Brunswick. As a consequence, says one report, clients especially have found it difficult knowing where to go for help.¹³

In the last few years, however, this problem has been recognized, and an effort has been made by both the federal and provincial governments to coordinate their work and to eliminate duplication and minimize confusion for clients. Whether you walk into the Restigouche Business Development Centre in Campbellton, the Business Consultation Centre in Bathurst, the premises of the Economic Expansion Commission of the Peninsula (EECP) in Tracadie-Sheila on the Acadian Peninsula, or the Miramichi Economic Centre in Miramichi City, you are certain to find at least two agencies: a Regional Economic Development Commission (REDC), which was established by the province in the 1970s (there are thirteen), and a Community Futures group, which is funded by the federal government.¹⁴ You may also find representatives of the Atlantic Canada Opportunities Agency, the provincial Department of Economic Development and Tourism, the New Brunswick Department of Labour, and any of several other government agencies.

Over the past few years, there has been a trend not only towards greater cooperation between agencies but also to bringing the various offices together under one roof, thus providing a sort of one-stop shopping for people wanting to start a business. In Restigouche, a physical barrier was finally removed this year between the REDC offices and those of the Restigouche Community Futures Development Corporation to allow for a sharing of equipment as well as a

13. Regional Development Corporation, *A Vision of Regional Economic Development Commissions in the Year 2000*, Master Plan, September 1997.

14. They go by other names but basically do the same thing.

“more seamless service” for clients.¹⁵ As well, the principal players in each of the region’s four economic subregions are working together to develop annual workplans (REDCs, Community Futures,¹⁶ ACOA, and the Department of Economic Development, Tourism and Culture), again to allow for more coordination and less duplication.

This tendency towards coordination was perhaps epitomized by the signing of a new Regional Economic Development Agreement (REDA) between Canada and the province of New Brunswick in July 1996. The REDA has two parts. Part 1, “Cooperation Agreements,” essentially subsumes under one agreement the existing funding of five cooperation agreements signed at the turn of the decade. The value of part 1 is \$223.6 million.¹⁷ Part 2 of REDA, “The New Framework,” provides additional funding of \$53.7 million to allow both levels of government to cooperate and respond to different development initiatives. The federal and provincial shares are \$37.6 million and \$16.1 million respectively, and the agreement runs until 2001. Under the terms of this agreement, implementation may be carried out by either party, either by direct delivery or on a cost-shared basis.¹⁸ Because of this arrangement, provincial accounts do not necessarily indicate the entire expenditure for all agreements. In addition to the new Cooperation Agreement, there are other agreements, such as the Canada–Atlantic Provinces Cooperation Agreement on International Business Development, which was signed in May 1994 and which supports pan-Atlantic export projects involving groups of companies.

Regional economic development is also funded by various provincial departments. In this section, we look at the key players in regional economic development in Northeast New Brunswick and their roles; examine priorities and projects in each of its four

15. Restigouche Regional Economic Development Commission, *Annual Report 1997–98*.

16. Regional business lending agencies of a kind known generically as Community Business Development Corporations (CBDCs), they were funded by the federal government and operated under the supervision of ACOA. Since they were established in the 1980s as lending and investment arms of the Community Futures planning and mobilization program, then run by the federal Department of Human Resources Development, these surviving lending agencies sometimes still include “Community Futures” in their name, even though the larger program of which they were a part has lapsed.

17. Regional Development Corporation, *Annual Report 1996–97*. The five co-op agreements were planning, economic diversification, urban economic development, entrepreneurship and human resource development, and economic development.

18. It means that the implementing party budgets for and funds the projects implemented and claims the other party’s share as revenue.

economic subregions; weigh their strengths, weaknesses, and opportunities; and, finally, consider the challenges the region faces in the future.

■ Key Players

Provincial

In 1966 the Regional Economic Development Commissions were introduced to Northeast New Brunswick under the federal Fund for Rural Economic Development. The original focus was on rural development. In 1967 the Regional Development Corporation (RDC) was established as a provincial Crown corporation to coordinate the development of the Mactaquac Head Pond. It later became the province's coordinating agency for federal-provincial development agreements.

It also helped to establish thirteen REDCs across the province during the early 1970s. Their mandate was to provide small business counselling services, business development promotion, and the coordination of regional economic development activities.¹⁹ The REDCs are meant to be the economic development leaders or coordinators in each region — the first stop for anyone wanting to start a business and to gain access to available programs and financing on both government levels.

The RDC, with its head office in Fredericton, provides financial and administrative management services for all federal-provincial agreements. (Provincial departments, by and large, deliver the programs and projects.) It also manages provincially funded initiatives, in particular:

- The Action North Initiative, which was established in September 1993 to address unemployment caused primarily by difficulties in the forest industry. It initially targeted the Restigouche and Chaleur subregions but was later extended to the Acadian Peninsula because of the crisis in the groundfish fishery. The two programs under the initiative are the Northern Business Development Fund and the Northern Special Project Fund.
- The Development Assistance Program, which provides grants of up to \$50,000 to projects sponsored by nonprofit organizations or municipalities.

19. The major urban centres were the last to form commissions in 1975–76.

- The Economic Development Fund, which was established by the province in 1995 to launch economic development initiatives unable to obtain funding from the new co-op agreement or from departments' approved-spending levels. In its first year, 1996–97, \$10.8 million was spent on initiatives related to natural resources, tourism marketing, and human resource development.

An RDC Special Operating Agency was created in March 1994 to administer the Canada–New Brunswick Infrastructure Agreement, which has provided many communities in the Northeast with money for local infrastructure.

The strategic plan of the provincial Department of Economic Development, Tourism and Culture focuses on value-added manufacturing of resource-based products, tourism, and information technology. It offers assistance to people wanting to start businesses in these sectors. Lately, the department has begun to move its project investment officers from Fredericton out into the regions (the first to Edmundston, the second in 1998 to Campbellton), with a mandate to travel the world to find and negotiate with companies interested in settling in the province — especially, it is hoped, in the Northeast. Other provincial players include the New Brunswick Department of Advanced Education, the Department of Labour,²⁰ Agriculture and Rural Development,²¹ the Department of Human Resources, and the Department of Natural Resources and Energy.

Federal

The Atlantic Canada Opportunities Agency is the federal agency charged with overseeing economic development in the Atlantic region. Founded in 1987, its mandate is to provide assistance to small- and medium-sized businesses to start-up, expand, modernize, or become more competitive. In recent years, it has done this through interest-free loans. Funding is also available to nonprofit organizations for such activities as training and skills development, research and development, business networking, and market development.

20. In the Northeast, the department works on needs-assessment and training priorities in textiles, plastics, metals, and the call centre and forestry sectors.

21. The department works with rural entrepreneurs to increase the number of cottage industries and home-based businesses, and in the Northeast has been focusing on blueberries, cranberries, and pork.

In addition, each region has a federally funded agency that offers counselling and financial assistance to small businesses. The Restigouche Community Futures Corporation, the Chaleur Development and Entrepreneurship Centre, the Acadian Peninsula Community Futures, and the Northumberland Business Advisory Centre in Miramichi all have been in existence for more than a decade and in many cases have functioned as the bank of last resort, lending money to would-be entrepreneurs who have been refused by the banks. Since their *raison d'être* is to create jobs, they have loaned money even in high-risk situations. Their mandate may be changing, however, because government has decided that they must become self-supporting by the year 2000. This has already meant a staff reduction in Restigouche (from five to three) and a growing reluctance to invest in risky ventures.

The Business Development Bank of Canada has a regional office in Bathurst. It is a financial institution owned by the government of Canada that delivers financial and management services to businesses, particularly those with a focus on the emerging and export sectors of the economy. It tends to finance larger projects, while the Community Futures groups finance smaller ones.

The province of New Brunswick and Human Resources Development Canada (HRDC) signed a labour market development agreement in December 1996 that transfers full responsibility for the design and delivery of employment insurance-funded employment programs to the province. Implementation of the agreement was nearly completed at the time of writing, with some HRDC employees still to be formally transferred to the government of New Brunswick. In Campbellton, this has meant a reduction in federal staff from forty to thirty, and an increase in provincial staff by the same number.

Others

Municipalities are also involved in economic development. Campbellton has an economic development committee, Shippagan just set up the Industrial and Commercial Commission of Greater Shippagan to develop and manage a local industrial park, Caraquet has its own strategic plan for development and works closely with the local Chamber of Commerce to implement it, and the Bathurst Chamber of Commerce is organizing a forum for 1999 to help map out an economic development strategy for the Chaleur subregion. Miramichi has a number of development organizations: the City of

Miramichi Community Development and Tourism, the Waterfront Development Commission, and Sky Park Miramichi Incorporated.

Northeast New Brunswick is home-base to the Acadian cooperative movement, which is also involved in regional economic development. The Fédération des caisses populaires acadiennes Ltée, based in Caraquet, employs 250 people year-round. Under the umbrella of the Acadian co-op movement are 192,000 members, belonging to eighty-five caisses populaires throughout Atlantic Canada and thirty-eight other cooperatives, mostly consumer co-ops.²²

In New Brunswick alone, 132 co-ops (with 86,511 members and 1,819 employees) filed annual reports with the province in 1995 that showed sales of \$477.7 million.²³ The co-op movement, however, has never had the influence with government that its numbers and importance to the economy warrant.

The co-op movement is involved in economic development through the Conseil Acadien de la Coopération, whose role includes assisting in the formation of new co-ops, although its resources to do so are limited. In the past decade, it has been involved in forming ten co-ops in such sectors as blueberries and maple syrup. In 1990 the Société d'investissement du Mouvement acadien (SIMA) was established as a capital risk investment fund. Over the years, more than five hundred jobs have been created by co-ops assisted by this fund.

Recently, the Conseil coopératif de développement régional de la Péninsule, a local co-op development council, has been negotiating with the Peninsula Community Futures group with a view to working in closer cooperation. To date, however, co-op movement representatives do not sit around the table of the integrated economic development network described above. Only one regional strategic plan credits the co-op movement with a role in economic development.

First Nations located in the northeast of the province include Burnt Church (with an on-reserve population of approximately 1,050), Eel Ground (400), and Red Bank (350), all three located in the Miramichi subregion; Papineau (134), near Bathurst; and Eel River Bar (520), located in Restigouche. Most reserves now have an eco-

22. Organization chart of Acadian Cooperative Movement, approved 30 September 1995.

23. New Brunswick, Department of Justice, Inspector of Co-operative Associations, *Annual Report 1995*.

economic development officer. Some have also established development corporations. The Mic Mac Maliseet Development Corporation Inc., with offices in Newcastle, promotes Aboriginal people in business. The Metepenagiag Development Corporation at Red Bank supports economic development for Aboriginals in forestry and the fishery.

In the past five years, the Eel River Bar First Nation has produced an economic development plan that includes involvement in the co-management of Heron Island eco-tourism development and the development of an Aboriginal heritage garden. The band has joined forces with local communities, with the objective of developing complementary tourist attractions in the area. The Eel River Bar First Nation has also signed a partnership agreement with Zone de jeu Kan-Go-Roo Playgrounds, a company which manufactures playground equipment for export.

A number of government programs for would-be Aboriginal entrepreneurs have been developed in recent years. Industry Canada established Aboriginal Business Canada and assigned it four strategic priorities: expanding markets and trade opportunities, encouraging the widespread use of technologies, developing the potential of Aboriginal youth, and strengthening financial and business development organizations. In 1997–98 seven projects worth \$85,600 were approved under this program in Miramichi. The Canada–New Brunswick Aboriginal Joint Economic Development Initiative was launched in November 1995 and is chaired by the president of the Regional Development Corporation. And the Business Development Bank of Canada recently signed an agreement with the Canadian Imperial Bank of Commerce to improve access to credit for Aboriginal-owned businesses.

Overview of the Economic Development Budget

Table 17 provides an overview of economic development expenditures in the four economic subregions in Northeast New Brunswick during the 1997–98 fiscal year. It should be noted that most of this money is repayable.

Table 17
Economic Development Financial Assistance by Subregion,
Northeast New Brunswick, 1997–98

Economic Subregions	Total Approved Contributions (\$)	Number of Projects
Restigouche	13,800,875	268
Acadian Peninsula	12,176,101	362
Chaleur	8,091,190	276
Miramichi	10,071,873	769

Source: Annual reports 1997–98 of four REDCs.

■ Economic Subregions: Perspectives and Priorities

Restigouche

Forestry has always been the economic base of Restigouche County: from logging, wood processing, and pulp and paper to the production of newsprint. Within the region, primary sector development has been more widespread in western Restigouche (Kedgwick, Saint-Quentin), which has closer access to the resource and which more recently moved into extensive value-added production. Dalhousie, with its two wharves and a deep-water port, has developed as an industrial centre for the county; so too has Atholville, which has rapidly built up employment in its industrial park. Campbellton is a service centre for the local area and, traditionally, for the southern Gaspé as well.

The Restigouche REDC serves a population of thirty-five thousand. Like most of the REDCs in New Brunswick, it went through the process of developing a strategic plan for the area in the early 1990s. Faced with the loss of hundreds of jobs at CN in Campbellton, the shutdown of the pulp mill in Atholville, and the modernization of the Dalhousie paper mill, which cut the number of paper machines from four to two, thereby reducing employment, the Restigouche REDC wanted to involve the community in a process of identifying sectors of the economy with development potential.

Eight work groups were set up to examine eight sectors of the economy: forestry, agriculture, mines, fishing and aquaculture, manufacturing and technology, tourism and leisure, commerce and entrepreneurship, and culture and communication. By 1993 an extensive strategic plan had been developed based on diversification of the economy, development of its human resources, and increased self-

sufficiency for the subregion. The Action North Initiative, mentioned above, was established at this time.

In retrospect, those involved say that the commission tried to be all things to all people and so spread itself too thin. In 1997, with the subregion again facing problems in the forest industry, the provincial government announced the Restigouche Initiative. The province dissolved the eighteen-member REDC board, and replaced it with private sector representatives (it had been dominated by the municipalities). Almost two-dozen small projects were announced at this time.

A \$5 million Restigouche investment fund was established, of which only \$400,000 has been invested to date.²⁴ The reason for this is that to qualify for the fund, applicants must first have made the rounds of all the regular funders. And for most projects, they often provide up to 65 percent of costs.

The Restigouche Initiative was really an effort to rejuvenate the regional economy: to energize the business community and get it working and thinking about the long-term development of the subregion. The target sectors identified were value-added wood, textiles and clothing, plastics, information technology, call centres, and tourism.

The REDC Board made a decision in 1998 to concentrate its efforts on two sectors in particular: value-added products in the wood sector and tourism. In the last two years, a Woodworking Centre of Excellence has been added to the Campbellton Campus of the New Brunswick Community College. Work has been done to develop the Campbellton waterfront, and more is planned. A New Brunswick Day Adventure Centre greets visitors as they cross the bridge from Quebec, although locals feel that there needs to be more emphasis on Restigouche attractions. The 400-acre Restigouche Industrial Park, located in Eel River Crossing, is owned and operated by the Restigouche REDC.

There is now a master plan for the upgrading of Sugarloaf Provincial Park, especially in preparation for the Canada Winter Games, which will be sponsored by Campbellton and Bathurst in 2003. The games should provide the impetus for other developments such as housing projects to accommodate the athletes. The bid has already generated a lot of enthusiasm and encouraged communities to work together.

24. Restigouche REDC, *Annual Report 1997-98*.

Work has also been done on the Inch Arran Park in Dalhousie and on waterfront cottage development in Charlo. Perhaps the biggest tourism project in the region is the Aboriginal heritage gardens project being developed by the Eel River Bar First Nation in conjunction with the Smithsonian Institution in Washington, D.C. More than three hundred plant species have been identified by this project, which has been in the works for six years and occupies 110 acres near Chaleur Park. There is also a master plan for the development of both Mount Carleton Provincial Park and the Appalachian range, the latter as a year-round tourist attraction.²⁵

Campbellton's Memorial Civic Centre has been built and expanded over the past decade and boasts a first-class ice surface, semiolympic-size pool, and a range of facilities for squash, raquetball, and fitness. Campbellton now owns a Maritime Junior A hockey franchise, which is expected to be a major draw in the area.

Chaleur

The economic subregion of Chaleur (population forty-five thousand) stretches from Belledune to the west side of Grande-Anse. At its centre is Bathurst, situated at the mouth of the Nepisiguit River, with a population of fifteen thousand; it is the government service centre for the Northeast. Human Resources Development Canada is a major employer in Bathurst, and Revenue Canada has a National Services office here that produces the country's social insurance cards. Most provincial government departments have a regional office in Bathurst to serve the Northeast.

Forestry and mining have traditionally been the basis of economic activity in the Chaleur subregion. One report notes that in terms of direct and indirect economic spin-offs, these two industries account for 42 percent of the wealth produced in the area.²⁶ In all of Canada, the Chaleur economic subregion reportedly has 39 percent of known commercial zinc deposits, 45 percent of lead deposits, and 38 percent of silver deposits. It is, in effect, the mining capital of New Brunswick. The forest industry ranges from small sawmills to major paper producers to (more recently) a variety of value-added products and producers.

25. It extends 220 km from Campbellton through Kedgwick, Saint-Quentin, and Mount Carleton to Perth-Andover.

26. Action North, *Backgrounder on Economic Circumstances in Northern New Brunswick*, prepared by ACOA and Regional Development Corporation, April 1996, updated June 1998.

In the early 1990s the Nepisiguit Economic Conference was held in the area, and a number of projects were identified to develop the economy. In 1993 the Action North Initiative was established with the objectives of diversifying traditional resource sectors through value-added initiatives, developing such industries as tourism and information technology, and creating needed infrastructure.

Since these early efforts, several initiatives have been undertaken. A business service centre (which houses the REDC and other government agencies) was established in Bathurst, the port of Belledune has seen major expansion and promotion, the Bathurst Regional Airport has been improved and privatized and is now managed locally, a recreational tourism centre was built at Parc Atlas in Pointe-Verte, and a beachfront boardwalk was constructed in Beresford on Chaleur Bay. Another sign of economic activity in the area is the Chaleur Region Tourism Initiative, which was launched in 1998. As well, the province's White Gold winter tourism campaign, which began in the mid-1990s, is establishing Bathurst as the snowmobile capital of the Maritimes.

With the opening of the Business Incubation Centre, located at the Centre of Excellence in Information Technology on the Bathurst Campus of the New Brunswick Community College, Bathurst has been attracting call centres and is making strides in developing an information technology industry. The area now boasts both the Aquatic Centre and the K. C. Irving Regional Civic Centre. Bathurst is also the home of the Titan d'Acadie-Bathurst in the Quebec Major Junior Hockey League. It hosted the Francophone Business Forum in 1999 and, along with Campbellton, will host the Canada Winter Games in 2003.

The 1997–98 priorities of the Chaleur Regional Development Commission emphasized its leadership role in job creation initiatives, which include helping with expansions, diversifications, and new businesses. It called for strengthening alliances with other key economic development agencies in the area in order to facilitate startups, raise awareness of available services, promote a positive economic climate, and foster entrepreneurship. One of its most important objectives may be the promotion of Northeast New Brunswick (e.g., the Acadian coastal route) as a tourist destination.

Acadian Peninsula

More than any of the economic subregions in Northeast New Brunswick, the Acadian Peninsula (population fifty-eight thousand) was built on one industry: the fishery. There is evidence that cod was fished off Miscou Island, at the tip of the Peninsula, and at the mouth of Chaleur Bay in the 1600s.²⁷ After the war, a midshore fleet developed that was capable of landing a major part of the province's fish and seafood value. And with the collapse of the Alaskan king crab fishery in the late 1960s, the price in Japan of snow crab skyrocketed. The fishery made millionaires of many on the Peninsula. It was an industry that flourished between the mid-1970s and early 1990s not only because of fish landings but also because of the large amounts of money the government made available to build boats and the number of processing permits it issued.²⁸ The entire subregion became more and more dependent on the industry.

Unfortunately, it was also an industry, some would say, that gradually structured itself around the unemployment insurance system, which was implemented in the 1970s. Workers depended on unemployment insurance (UI) during months when the Gulf of St. Lawrence was frozen. And processors counted on the system to keep their workforce in the area: there was no impetus for them to diversify or to create new jobs for their workers, who could always rely on their UI stamps. Many young people left school to work in the fishery. Overall, the effect has not been healthy for economic development in the area. Now, in the 1990s, with the collapse of the groundfish fishery and a drop in both crab landings and prices, many primary-processing jobs have been lost, probably forever.

At the same time, the UI system has undergone major reforms. Between 1993–94 and 1997–98, UI payments to the Northeast have been dramatically reduced. Close to \$117 million has been removed from the economy since the reform of the system began. Provincewide, the cut has been 32 percent.²⁹ It has been increasingly difficult for seasonal workers to qualify for UI, and when they do, their payments are less. People are beginning to realize that their dependence on one industry has been excessive, and they are now discussing the need to rationalize the fishery and diversify the economy.

27. Moses Perley, *Report on the Sea and River Fisheries of New Brunswick*, 1852.

28. Today, most people say the number of permits issued was excessive.

29. Action North, *Background on Economic Circumstances*.

In the early 1990s a socio-economic conference held on the Peninsula identified a number of priorities for economic development: improvement of transportation and communication systems, raising standards in education, promotion of entrepreneurship and research while encouraging respect for the environment, and developing all parts of the Peninsula. Then in 1994, working with the results of the conference, the Economic Expansion Commission for the Peninsula, in conjunction with the community, developed a five-year strategic plan focused on development in key areas: peat moss, aquaculture, agriculture (small berries such as blueberries), tourism, and entrepreneurship. Under Action North, measures have been taken to revitalize the fisheries and aquaculture: in particular to promote the development of new aquaculture species, improve the Marine Centre research facilities, increase shellfish production, and promote new fishing techniques.

In September 1997, the provincial government announced Initiative Péninsule. It was similar to the Restigouche Initiative described above and was designed to give a boost to the economy. Work has been done in such areas as textiles, plastics, value-added products, information technology, and tourism. At the same time an investment fund was also established.

The Acadian Peninsula is the most isolated part of Northeast New Brunswick. The transportation infrastructure is limited: there is a small airport at Pokemouche, the highways, though improving, are still only double-lane, and there are no trains. On the other hand, the educational infrastructure is better and getting stronger. L'École des Pêches at Caraquet offers French-language training for all sectors of the fishery. Shippagan boasts a campus of the Université de Moncton as well as the provincially owned Marine and Aquarium Centre, a major research centre and tourist attraction. There is also the Marine Product Research and Development Centre and the Peat Research and Development Centre. And the Peninsula is served by the Bathurst branch of the New Brunswick Community College.

One of the great strengths of the Peninsula is its people and their reputation for warmth and hospitality. They form the basis of a tourism industry that has received a lot of attention. The Village Historique Acadien is one of the most popular attractions in the province. This decade, a multipurpose facility, Carrefour de la mer, was built on the Caraquet waterfront, and the Provincial Day Adventure Centre was added later. Emphasis is also being placed on a tourism development plan for Lamèque and Miscou islands, and in Grande-Anse there is the popular Pope's Museum.

Viewed from the outside, the Acadian Peninsula seems to be a homogeneous unit: 99 percent francophone and with an economy built on the fishery and revolving around seasonal work. Perhaps in no region of the province is this picture of uniformity farther from the truth. The Acadian Peninsula is really a community of community interests: four towns (Caraquet, Tracadie-Sheila, Shippagan, Lamèque) and ten villages, with almost 60 percent of the population living in unincorporated areas. Some would argue that this has been a major factor in limiting economic development: those living in the local service districts have been able to use the services of the larger centres, until recently without paying.

Another problem has been the competition between communities. There is an expression in French, *l'esprit de clocher*, that translates roughly into English as "fierce competition with your neighbour," and for a long time this has been a major characteristic of the Acadian Peninsula. With no single large centre around which development can take place, the several small communities have given in to a pursuit of their own self-interest and ignored the welfare of the Peninsula at large. For example, Caraquet and Tracadie-Sheila, both with roughly the same population, each have a hospital. All four towns insist on having their own industrial parks. And a major announcement of a plant opening in Caraquet is bound to be followed the next morning by an article in the local newspaper quoting a disgruntled resident of Shippagan as saying that the plant should have gone there. This attitude may be the result of pride or a history of economic insecurity. Whatever the cause, those involved in economic development say that it undermines the cooperation and coordination that are essential to developing and diversifying the Peninsula's economy as a whole.

All areas of the Peninsula are in fact quite different. Grande-Anse is the gateway to the Peninsula from the direction of Quebec. Caraquet, the "capital of Acadia," has been hurt less by the crisis in the fishery, despite its major fishing infrastructure, because of several large employers: the Fédération des caisses populaires acadiennes, which employs approximately 250; Wink Industries, with approximately 100 employees; l'Acadie Nouvelle (40 employees in Caraquet and 75 across the province); Acadie Presse (15 full-time employees and 30 part-time); l'École des pêches; and the hospital. All operate year-round. The Village Historique Acadien is a major employer in summer.

Tracadie-Sheila, now the largest community (population of 4,773 since amalgamation in 1992), is a major service centre. Any national or international fast-food company that one might find in Halifax or Moncton can also be found here.

Lamèque and Shippagan, along with LeGoulet and surrounding areas, have been hit hardest by the fisheries crisis. (Note that the fishery and fish processing directly employ 35.6 percent of workers in the Shippagan–Les Îles area and account for 43 percent of employment income.)³⁰ The town of Shippagan, in particular, is projecting a major deficit as this is being written because of a decline in water consumption by fish plants. Still, the town has significant employers such as the university and Marine Centre. And it is in the process of developing its own industrial park and introducing a system of incentives to attract new business. Neguac, the gateway to the Peninsula from the southeast, is technically in the Miramichi economic subregion, but it uses Peninsula services for reasons of language.

Miramichi

Northumberland County has always been a resource-based economy, relying on forestry, fishing, mining, and to a lesser extent agriculture. Until this decade, it could boast little economic diversification: businesses were for the most part tied to resources. The region is of course famous for the Miramichi River, reportedly one of the best salmon-fishing rivers in the world. A network of fishing lodges, outfitters, and other related businesses has grown up as a result. The area also had a major employer in Canadian Forces Base (CFB) Chatham, which was established after the war.

In this decade, however, the region's economy has started to change. Perhaps the biggest blow was the closure of CFB Chatham in 1995 and the resulting loss of around a thousand jobs. Growing competition internationally in resource-based industries, along with the cyclical and seasonal nature of these industries, has kept unemployment figures high and increasingly forced companies to replace workers with technology.

A study carried out in mid-decade noted that over the years, semi-skilled workers in the area were often paid wage rates in excess of norms in other industries because of international competition.³¹

30. Beaudin, *L'Industrie des pêches*.

31. *Miramichi Region Background Report: Community Economic Development (CED) Plan*, July 1996.

The result was a false sense of security for many young workers who failed to realize the importance of a postsecondary education. The report concludes that in future, many of these high-paying semi-skilled jobs will no longer exist.

With a major government employer also leaving, communities in the subregion began to realize that they needed a long-term plan. In 1995 the City of Miramichi was created through the amalgamation of the towns of Newcastle and Chatham and the villages of Loggieville, Douglstown, Nelson-Miramichi, and Chatham Head, as well as other unincorporated areas. Over twenty thousand of the fifty-five thousand people who live in Northumberland County now live within the city limits. The four other towns in the region (Blackville, Doaktown, Neguac, and Rogersville) have recently joined with Miramichi to create a mayor's forum. The population of the county is 30 percent francophone.³²

The City of Miramichi, now the fourth-largest city in New Brunswick, functions as a regional service centre. Although not all the bugs from the amalgamation have been worked out, the process has reportedly been good for regional economic development because it has brought people together and obliged them in their planning to rise above parochial interests. People in the region have been forced to develop a vision for the future.

In 1996 a community consultation began involving meetings in twenty-seven communities and culminating in April in a major assembly at the Miramichi Campus of the New Brunswick Community College. A strategic plan was developed for the subregion based largely on value-added activities, tourism, and information technology. The strategic plan encourages communities to find locally based business and investment opportunities. The real growth engine of the Miramichi subregion, the report says, "is local business people, and partnerships between local and outside interests."³³

In 1994 Sky Park Miramichi Inc., a local development agency with a local board of directors, was established to take over management of the former CFB Chatham properties and to create economic activity to replace the lost jobs. The futuristic park has made significant progress in attracting businesses. At the time of writing, close to fifty small businesses with roughly nine hundred employees had

32. Areas such as Baie-Sainte-Anne and Pointe-Sapin remain unincorporated.

33. *Miramichi Region Background Report*.

moved into the park, among them Miratech Inc., a technology incubator complex for high-tech businesses. Another is Retirement Miramichi Inc., a nonprofit corporation that took over the housing on the former military base to develop a retirement community. Of the 390 units, 60 have so far been occupied. Sky Park has been a real success story, although people are quick to point out that the project has simply replaced lost jobs at the base; it has yet to make any net gains in employment.

The New Brunswick Youth Centre, which employs 130 people, was built this decade on the Miramichi to replace the former Kingsclear Training Centre. In 1996 a major hotel and convention centre was built on the former Chatham waterfront. The Canadian Firearms Centre, with 115 employees at start-up, has recently opened in the city and is expected to hire another 200 workers to get through the initial registration.

■ **Strengths, Weaknesses, Opportunities**

The economy of Northeast New Brunswick has traditionally been based on the primary industries of forestry, fishing, and mining. This has been a strength of the region because these industries have offered good salaries and benefits for those involved. But it has also been a weakness since prices for these commodities are set on the international market and cannot be controlled by New Brunswickers. The crisis in the Japanese economy has been one of the factors responsible for the crisis on the Acadian Peninsula. As well, none of these resources is inexhaustible, a lesson learned from the groundfish fishery in the Gulf of St. Lawrence.

When asked about the region's strengths and weaknesses, people point to its strong primary industries, which have created hundreds of jobs over the years. They are quick to add, however, that that is no longer enough. Primary resources cannot continue to be shipped unprocessed out of the region. Value must be added if new jobs are to be created.

People also point to a large, stable bilingual workforce as a strength, although it is largely untrained for the kinds of jobs that must be developed. Uncertain as to what skills are even available in the workforce, government is now making efforts to have them inventoried. This has already been done for two industries on the Acadian Peninsula: textiles and information technology.

Much has been made of the natural beauty of the region — its rivers, forests, and the sea — and the endless opportunities that are offered here for hunting, fishing, hiking, and water sports. There is no doubt that this is a great strength of Northeast New Brunswick, and that progress has been made over the past few years in creating a tourism infrastructure. Campbellton and Caraquet have developed their waterfronts, and there is a master plan for the expansion of Sugarloaf and Mount Carleton parks. A tourism strategy has also been drawn up for Lamèque and Miscou islands.

The region lies along major transportation routes — Campbellton is equidistant from Montreal and Boston — and the roads have undergone major improvements in the past decade. The port of Belledune, the largest deep-water port in the area, is a day and a half closer to England than to Saint John is. On the other hand, distance from major markets remains a serious problem.

The Northeast has a reputation for being a good place to live because of its clean air, lack of pollution, and especially its quality of life. On the other hand, not everyone appreciates a small-town lifestyle. Company executives wanting to relocate a business are often more interested in urban centres.

The perception, if not the reality, of the McKenna years is that economic development could best be achieved by bringing in large companies from outside the province. Some people still believe in this approach, although those directly involved in economic development in the region are beginning to question its success. Instead, they are turning their attention to the talent available locally, to helping local entrepreneurs develop, grow, and expand. Many believe that native sons and daughters are more likely to stay in the Northeast during hard times than their colleagues from outside the region.

There is no doubt that economic development efforts have been streamlined and are now more coordinated than in the past. Agencies, at least those in the region, feel that inter-departmental competition has lessened, and that people are more willing to cooperate with each other. Some question, however, if the same level of cooperation exists in Fredericton. It is true that a certain amount of decentralization has taken place — the assistant deputy minister for fisheries is now based on the Peninsula and has decision-making powers — but by and large, people say, decisions affecting the region are still made in Fredericton: the REDCs make their recommendations but Fredericton decides.

Not only that, but many of those decisions are still made for political reasons. When it came to a choice between closing the operating room in Caraquet or the one in Tracadie, the latter was cut simply because its member sat on the opposition side of the legislature (even though the Tracadie O.R. was more modern). When Sky Park Miramichi Inc. opened on the former base at CFB Chatham, the offer of free accommodation and, some say, the influence of the former premier (whose riding was in Chatham) caused some companies that had been negotiating with Bathurst to settle instead on the Miramichi.

There is no doubt that a lot of programs have been initiated this decade by both levels of government to support economic development in the Northeast — in particular Action North, the Restigouche Initiative, Initiative Péninsule, and, most recently, the Peninsula Economic Development Commission. The Gaudet Commission Report, named after the commissioner, was submitted in the spring of 1999. It contains the main guidelines that would allow the population and public stakeholders to collaborate in the Peninsula's economic recovery. It remains to be seen to what extent the newly elected government will use these guidelines in its five-year plan, which was unveiled during the June 1999 election campaign and which provides for a \$25 million development fund.

■ **Conclusion: What Lies Ahead?**

So what does the future hold? Perhaps the most immediate challenge concerns the fate of the Economic Development Commissions and the Community Futures groups. REDCs were originally funded under the Regional Economic Development Agreement, which expires in the year 2000. The provincial government is now examining their role, mandate, and funding options. No decisions have yet been made, although it is clear that the province would like to download more of the costs of economic development onto municipalities and even onto unincorporated districts, since much of the economic development has been taking place in rural areas. The Community Futures groups must also become self-sufficient by the year 2000. This means that they will take less risk in making monies available to small business.

A big challenge for the region is the loss of its young people. According to Statistics Canada, the exodus of people less than twenty years of age between 1991 and 1996 was 15.4 percent in the

Miramichi subregion, 12.8 percent in Chaleur, 11.6 percent in the Peninsula, and 7.8 percent in Restigouche; the provincial rate was 5.3 percent.

Another challenge to be faced is diversification. A lot of progress has been made in this area, but more must be done. Regardless of whether fish can be fished in winter or trees harvested, the economy of the Northeast is changing — and for a number of reasons, not the least of which are globalization and the major reform of the EI system. Increasingly, the region will be unable to count on that income to sustain seasonal employment.

Some say that the traditional dependence on primary industries has created a climate of insecurity in the region. People work hard for their money and are afraid to risk it. Fortunately, this attitude is changing with younger people, who are more likely than their elders to wine and dine international clients, knowing that you have to spend money to make money.

Most of those working directly in regional economic development say that this is the biggest challenge for Northeast New Brunswick — that is, changing attitudes. Programs have been developed to help young entrepreneurs (for example, the SEED Capital and Counselling Program), but more are needed. One interviewee noted that community colleges in the region are doing a good job teaching technical skills but that management skills must be added to the curriculum. A culture of entrepreneurship must be nurtured if self-sufficiency is to be achieved.

During our interviews in the Northeast, we were impressed with the expertise, energy, and dedication of those involved in economic development. And they, in turn, were impressed with the quality of the entrepreneurs and people in general in the region. The Northeast, they say, is fertile ground for good ideas, although investment money is often in short supply despite the plethora of government programs. Nonetheless, to their credit, the people of the region are looking more and more to themselves and each other for their economic future.



The Private Sector

■ Overview

Development of the private sector in the economy of Northeast Brunswick has been shaped by the region's heavy reliance on the production and export of commodities by large companies. These have chiefly been pulp, paper, lumber, minerals, seafood, and peat. Employment and incomes within the region are thus extremely vulnerable to price changes and global demand, and to variations — most often declines — in supplies of raw materials.

The loss over time of significant sources of employment, such as CN in Campbellton and CFB Chatham in Miramichi, as well as greater labour efficiency among remaining major employers, has made a necessity of the current priority of diversifying into new industrial sectors through the recruitment of outside investment and the encouragement of local initiative. The most notable target for employment is the textile industry, together with call centres and tele-administration for areas where bilingualism is prevalent, particularly Bathurst and Campbellton. A drive to install value-added processes in the lumber sector, and a strong demand for its output, has compensated significantly for losses of other forestry-related jobs.

The major employers based on forest, mine, and ocean resources have all faced important challenges in recent years, and employment in their sectors has declined. In the forest sector, technological advances in field operations and in pulp and paper mill processes have both resulted in major job losses; periodic downturns in markets have the same effect, although it is only temporary. Declining ore reserves and a recent history of low prices have posed severe problems for the mining sector, a net loser of nearly five hundred jobs in the past year. A decline in some crucial fish stocks and a reduction in the market value of others would be challenge enough for the fisheries economy of the region. But to make matters worse, this sector also faces a crisis in the income support system upon which it has historically relied to maintain a stable supply of short-term seasonal labour.

Significant success has been achieved by an extraction industry that produces peat and peat-based products drawn from numerous bogs on the Acadian Peninsula, and more recently from coastal areas of Northumberland County. But with the exception of a few processors who work year-round on value-added products, peat too is a seasonal industry.

Agricultural activity in the region is fairly limited. There are small pockets of dairy production in the Bathurst, Charlo, and Miramichi regions, a few hog and beef producers, and very little production of grain. Some potato production is found in the northern area near St. Quentin and Kedgwick. A blueberry industry has been developed in recent years in the Acadian Peninsula, and is thought to have considerable potential for further growth. There is also hope that investment in the development of other crops of small fruits suited to the region's relatively short growing season, such as strawberries, raspberries, and cranberries, would make good use of the region's land and labour.

Tourism development has been given a high priority, and the sector has done well recently, partly because of the low value of the Canadian dollar. This helped attract some American travelers, but the more important effect has been to increase the number of domestic tourists, particularly from Quebec. Prospects for angling outfitters have been constrained by low numbers of salmon available for catch-and-release fishing. Development of other niches, particularly based on satisfying tourist appetites for culture, nature, and moderate exercise, is being pursued in almost all areas. Availability of eco-tourism opportunities in all seasons is being stressed as a means of filling in annual troughs in activity and thus providing more stable revenues for the hostels and restaurants that have historically relied almost entirely on peak-season income.

Transportation facilities are based around three semi-urban areas. Port facilities exist in Caraquet, Miramichi, Dalhousie, and Belledune, with priority being given recently to developing the port at Belledune to accommodate the import and export of bulk commodities and break-bulk cargoes. The region has three airports, at Charlo, Bathurst, and Miramichi, with links to Montreal and Halifax. Shippers are served by a short-line railway that assumed responsibility for the former CN line between Campbellton and Moncton, again connecting with Montreal and Halifax; to some degree it has reversed decades of decline in railway employment in the region. Highways 11 and 8 have been upgraded gradually over the years, and now afford

speedy road transit; work continues on extending limited-access sections of Highway 11, which skirts the Acadian Peninsula. As well, chip-sealing of a resources road linking Bathurst and St. Quentin has cut more than an hour from the drive to and from Montreal. One remaining challenge, however, is to improve the circuitous route to the U.S. market.

Training and academic requirements of the region are being supported by three community colleges in Campbellton, Bathurst, and Miramichi; a fisheries training school in Caraquet; and a branch campus of the Université de Moncton in Shippagan. While each institution offers a broad general curriculum, areas of expertise have been and continue to be developed: wood processing in Campbellton and information technology in both Bathurst and Miramichi. The Campbellton program supports the diversification of the region's wood-products industry into value-added manufacturing. The Miramichi program has been a vital element in the creation of a significant skills-training courseware industry in that area, while the Bathurst program is developing a focus on enterprise system management and office technology. L'École des Pêches in Caraquet offers a broad range of training for ships' masters and crews, as well as specialized training for fish processing and aquaculture. The Shippagan Campus of the Université de Moncton is an important centre for industrial research on applications for peat resources and for environmental reclamation arising from that industry's activity. It also fulfills a marine-science and product-development function in support of the seafood-based industry, including quality-assurance training and technology transfer.

The region has a selection of media outlets serving a widely dispersed area, with weekly papers (English and French in Campbellton, a weekly in Bathurst, a semiweekly in Miramichi, and a provincial French-language daily based in Caraquet, the last paper a major employer with eighty-seven employees) and commercial radio stations in Bathurst, Campbellton, Caraquet, and Miramichi, as well as community stations serving the Peninsula and both the Restigouche County uplands and coastal area. There are relatively few public relations companies serving the area; some recent efforts have been made to develop Internet marketing initiatives. The development of courseware and related software technologies (supported by the New Brunswick community colleges in Miramichi and Bathurst) has had some success, particularly in the Miramichi, where the program dates from the early 1990s, enough time to have generated a number of

small companies that have carved out niches and won national and international awards and sales.

While considerable effort has gone into diversifying the industrial base of the region through the recruitment of the textile industry and the telecommunications-based marketing and administrative support industries, building up a stronger cadre of regional business able to take advantage of opportunities in nontraditional industries is a major challenge to the region, since historically much of its energy has gone into exploiting resources immediately available to it, whether from the natural or the social-policy environments.

■ **Forest Industries**

Given its size and diversity, it is not surprising that there are many currents and eddies in the flow of the forestry-based economic sectors in Northeast New Brunswick. The forest industries form the major cornerstone of industrial employment in the region, providing many well-paying jobs, particularly in the pulp and paper sector. Union representation is universal for production workers in the four pulp and paper mills in the area.

Two of these mills produce paper and one produces medium for corrugated packaging. All have received significant investment in recent years to improve processes and save on labour inputs, and this has resulted in the appearance of stability in the sector. But stability has come at a price: there has been a reduction in total mill employment for those workers who have stood at the top of the industry's hourly wage pyramid. Computerization of production-control systems means fewer people than ever work any given shift in major pulp mills. And the move by some companies from processing round pulpwood to a reliance instead on wood chips supplied by sawmills has shifted the primary transformation work to lower-wage suppliers upstream from these pulp mills.

Most employment growth in the forest industry has taken place among the dozens of sawmills throughout the region, most of which have added processes and products that create greater value than their former simple production of fresh-sawn lumber. This increase in activity and employment has helped create an air of prosperity in communities such as Balmoral, and particularly at the western end of Restigouche County, in St. Quentin and Kedgwick, which has seen considerable investment of this kind and where there is little other

industrial activity. Similar investments have been made in other regions (though not in the Acadian Peninsula), but their effect has been less apparent, since growth has offset declines in previously existing employment.

Production of wood throughout the region has been at all-time highs in recent years, with farm producers of wood and fibre reporting prices at their highest levels since the early 1950s. Nonetheless, the prospects of the forest industry, and of wage income derived from it, also show signs of vulnerability. The industry is subject to cycles in the demand for its commodities, the effect of events like the recent weakness in the Asian market. This was particularly problematic for the Dalhousie paper mill, which historically ships the bulk of its production to other continents, the greatest part to Asia. The major Repap paper mill in Miramichi, which uses pulp from a subsidiary mill across the river to produce magazine paper, has seen a steady demand for its product but is subject to the vagaries of that segment of the publishing industry. A major portion of the Stone/Smurfit mill in Bathurst, which produced bleached pulp from poplar and other hardwoods, saw only intermittent activity since a major refit three years ago, and has been mothballed.³⁴ Much of the Bathurst mill's production consists of thick paper medium for corrugated packaging, which has been in constant demand, but this part of the mill's production is under organizational review.

For almost the entire decade, the pulp mill in Atholville, which was formerly owned by Fraser and briefly by Repap/Alcell, was idled because of a combination of high production costs and low market prices. After several years on the sidelines, it was re-opened in 1998 as AVCell by a new owner, Tembec, and this has given a strong boost to the economy of the Restigouche area. The mill now exports to Asia, where its pulp is used as a fiber supplement in the production of rayon yarns, a demand independent of that for traditional paper products.

The demand for wood has been strongest from the region's wood-products industry, which has benefited from healthy markets for traditional lumber and at the same time has been moving rapidly — with a strong push from the provincial government — to add more value to its products. Sawmills have been getting better returns both by increasing volumes of wood and as a result of the growing use of

34. There was some hope in 1999 that this portion of the mill complex would be sold to German investors and brought back into production.

drying kilns. They are also profiting from a diversification into the manufacture of building components such as trusses and internal assemblies for furniture.

Following decades of uncertainty, two producers of construction sheeting in Miramichi, Eagle Forest Products (140 employees) and Nelson Forest Products Inc. (150 employees), are increasing their production. Both have received substantial reinvestment: Eagle put \$90 million into new production systems for its various thicknesses of oriented strandboard before it reopened in 1997. A local entrepreneur working with employee co-investors has brought the Nelson plywood mill (formerly known as Burchill's) to an operating efficiency it had lacked under previous owners, operators, and receivers.

Much of the investment made by these and other primary and secondary wood producers predated a provincial program designed to encourage the introduction of value-added processes to the province's wood-producing sector. In the first twelve months following the fall of 1997 (the operational start of a Department of Natural Resources and Energy program to encourage this trend), nearly \$52 million was spent on or committed to twenty-six new capital projects in the three counties, with the expectation that these investments would create more than five hundred jobs. (Some of this funding has provincial and/or ACOA support; many companies reported investment that was financed without government assistance.) Recently, a plan to establish a seventy-five-job Atlantic Furniture Manufacturing factory in Atholville was announced by Starline Furniture of Toronto.

The long-term prospects of the industry are likely to be better in those segments of it that go farthest along the road to value-added production, particularly since there is a growing concern about the possibility of maintaining the high volume of wood that has gone through the various mills and factories. There is a common concern about the over-harvesting of wood from woodlots. In this region, as elsewhere in the province, a provincial government decision in 1992 to permit mills to buy wood direct from woodlot owners, without going through regional forestry syndicates, has meant that private sales to mills have burgeoned. Coincidentally, the policy also permitted free export of woodlot timber to Maine and Quebec. This helped push up prices in general in the province, but because of higher transportation costs, this effect has been less evident in the roadside price of wood in New Brunswick's eastern counties.

By some estimates, the cut from woodlots in the years since 1992 has averaged 50 percent more than would allow for a long-term sustainable yield;³⁵ other estimates put the total higher.³⁶ The rationing of supplies from woodlots is therefore a possibility, at least in the long term.³⁷ It is difficult, however, to deal with the trend towards clearcutting entire private woodlot stands, a practice called *liquidation*, strictly as a matter of natural resources policy, since other government policies and practices are factors in the decisions of woodlot owners. These factors include the policy of subjecting the intergenerational transfer of major land holdings (over \$500,000) to capital gains taxation upon the death of the parental owner. This, it is argued, has led many woodlot owners to sell all their wood so they can dispose of the profits as they see fit and thus circumvent the tax. Similarly, the fear that provincial policy allows nursing homes to sell a patient's woodlot assets to pay his or her bill has prompted many to anticipate this contingency by selling their stands and dispersing the money, sometimes while they are still in good health and the very need for a nursing home is uncertain.

There is also concern that the supply of wood from Crown lands will be reduced if the province proceeds with proposals to declare some environmentally sensitive and attractive areas of woodland off limits to commercial harvesting. The compensating economic benefit would come from strengthening the province's appeal as an ecotourism destination. A strategy submitted late in 1998 has suggested six large sites within the region for possible designation as protected areas — a proposal that has aroused strong opposition from the forest industry, which is concerned about potential job losses.³⁸

35. Peter Demarsh, manager of the New Brunswick Federation of Woodlot Owners.

36. Frank Branch, general manager of the North Shore Forest Products Marketing Board, estimates that at least as much private wood goes to mills through direct contracts between owners, contractors, and mills as is handled through the syndicate's contracts with mills. Ruby Dunn, general manager of the Northumberland County Forest Products Marketing Board, also argues that the out-of-agreement supply is substantial, though not as high proportionately as Branch's estimate. Both say there has been a problem in collecting check-offs (\$2.00 a cord plus one percent of cord price, e.g., \$1.50/c for softwood sawlogs, \$0.71/c for poplar), which are paid to the marketing boards to defray the cost of silviculture on private land.

37. According to the Throne Speech, New Brunswick policy on woodlot issues will be reviewed in the new year.

38. A series of public hearings on the report (*A Protected Areas Strategy for New Brunswick*, by Professor Louis Lapierre et al.) produced mostly negative reaction: in particular, complaints by both industry and environmental groups that the science-based assessment was flawed because it failed to carry out an economic impact assessment of the alternatives. Until such work is done, it is unlikely that a final decision to proceed with the proposals will be made.

However, since the authors of the strategy proposal recommend designating only one site within each of the seven eco-regions, it is possible that as few as two sites (and certainly no more than four) will be chosen in the whole geographic quadrant of Northeast New Brunswick.³⁹

The increasing capital intensity of the forest industry over recent decades has also spread beyond the mills. The chainsaw, once the main tool of hundreds if not thousands of seasonal cutters, has largely been supplanted by harvesting machinery that can be and is operated twenty-four hours a day, seven days a week, and, generally, for eight or nine months of the year. Capitalization of labour has become a fact of life at all levels of the forest industry in Northeast New Brunswick. And while it provides residual employment stability for large numbers of people, it is also clear that much of the rural workforce has been marginalized and faces severe restrictions on the ways it can generate a satisfactory annual income.

■ Mining

Northeast New Brunswick is the only major mining area in the province, aside from the remaining potash mine near Sussex. The industry in the region produces zinc, lead, copper, and some silver. Recent changes in this sector have been abrupt and negative: by the end of 1999 it is expected to lose nearly 700 jobs. Some 230 of these were created only briefly in 1998 through the reopening of the Caribou mine, which had been idle for a decade; in the face of continuing low prices for its concentrates, it quickly returned to the industry's sidelines. In addition, the Noranda Heath Steel lead-zinc mine (250 employees), north of Miramichi, is closing after eight years of production that followed a shut-down of similar duration.

This leaves as the region's sole surviving mine the giant of the industry, Noranda Brunswick Mine near Bathurst. But it too is scaling back operations and laying off two hundred of its former one thousand mine and mill workers as a result of declining ore reserves and low prices for the concentrates it produces. At the time of its development more than three decades ago, the mine sat on the

39. The six sites are Restigouche River, Upsalquich Forks, Jacquet River Gorge (all three in the northern uplands), New Brunswick central highlands (on the eastern border of Mount Carleton Park, the only site suggested in the highlands region), Armstrong Lake (in the eastern lowlands, together with Canaan Bog), and Kennedy Lakes (in both the southern uplands and continental lowlands regions, where it is an alternative choice to Caledonia Gorge, Long Lake, Loch Alva, and Nerepis Hills).

largest zinc-lead ore body in the world; now, in an effort to husband its declining reserves, the company has scaled back production from 10,500 to 9,000 tonnes of ore a day. Noranda still plans to spend \$4 million a year to search for a major new ore body in the area nearby but has cut ten of its exploration staff and \$1 million from its former annual exploration spending. Various sites in the geological zone known as the Bathurst Camp have been tested in detail in recent years by Noranda geologists and by others (including the federal government), but no major deposit has yet been found.

A related plant, Noranda Brunswick Smelting at Belledune, has operated steadily, employing 550 year-round to produce lead and silver ingots, largely from concentrates from the Brunswick mine (some 70 kilometers away by rail) but also from concentrates shipped in from mines elsewhere (including the Heath Steel mine). Some potential exists for the metallurgical industry based on the transformation of imported materials. The operations that have received the most discussion depend in large part on the availability of both minerals and natural gas: the arrival of the latter is eagerly awaited in the Northeast. Three particular operations under consideration are (1) a modern plant that would transform Québec-Labrador iron ore into pellets for the steel industry, a plan mooted by Fred Pitre of Connecticut (and formerly of Bathurst); (2) a synthetic-fuels plant that would use chemical processes to graft hydrogen from hydrogen-rich methane (H_4) to carbon-rich heavy petroleum liquids or coal (Scotia Synfuels, Alisdair Gillespie); and (3) a plant to re-create in a new form a fertilizer-production capacity, one that would replace a Noranda plant that formerly combined sulphuric acid produced by the lead smelter with nitrogenous feedstock from the Southern U.S. Though these operations receive periodic attention — particularly the first two — they cannot for the moment be regarded as anything more than speculative.

■ Fisheries

The fishery and fish-processing activity in the region are largely confined to the Acadian Peninsula, where they are clearly the leading private sector contributors to the economy, generating altogether — from boats to factories to regulators' salaries — about \$200 million a year. The industry has suffered through some hard times recently and is in the midst of a difficult adjustment, in part occasioned by the lack of groundfish, which formerly supplied a significant portion of catches; by a decline in catches and prices of its leading

commodity, crab; and by the recent loss to competitive buyers of access to much of what traditionally has been its second-most valuable catch, lobster. But the greatest challenge has come from changes in employment insurance policies, which have drastically weakened income maintenance for a large processing workforce, almost all of which has been required only on a seasonal basis.

Of the nearly thirty-four hundred people involved in catching fish or shellfish in the region, twenty-seven hundred rely on it for most of their income. There are close to thirty processing plants, whose employment balloons during seasons when catches are available. Their workforce in 1995 was estimated to be about five thousand, of which four thousand depend on the work as their primary source of income. There is considerable further employment in related industries — boat building and repair, marketing, transport — which in the Acadian Peninsula is estimated at about nineteen hundred jobs.⁴⁰

The major catches in the region are snow crab, lobster, herring, and shrimp. With the exception of lobster, which is exclusive to inshore boats, the bulk of these landings come from medium-sized ships able to range throughout the Gulf of St. Lawrence. Until the precipitous decline in cod stocks that ended with the imposition of a moratorium in the early 1990s, groundfish was an important source of activity and employment at a few large processing plants. It was also the harvest that most lent itself to the development of secondary and tertiary processing. The major income generator in the fishery over the past two decades has been snow crab, which is harvested in large part by a midshore fleet that has recently, with reluctance, shared part of the annual quota with inshore boats. Both the availability of stocks and the prices paid for catches have been subject to wild fluctuation. Sometimes one market condition offsets another, as for example early in this decade when a sharp decline in crab catches was more than compensated for by a steeper increase in the price. However, more recently a less abrupt decline in available crab stocks has been compounded by an even greater decline in prices, occasioned by Japan's economic troubles. The same factor has also affected the herring industry, whose premium product is herring roe, a delicacy that normally sells well in Japan.

40. Beaudin, *L'Industrie des pêches*.

The second-most valuable fishery in the Northeast, lobster, has seen strong prices over recent years, with a slight decline in catches. However, local processing of this resource is not steady. Indeed in 1998, processors who normally cook lobster (for claws and tails and for products such as lobster flesh and roe) saw relatively little activity, since most of the regional catch was bought by processors in Southeast New Brunswick and Prince Edward Island.⁴¹ Production of frozen shrimp has remained steady, but this part of the industry accounts for little more than 5 percent of its total output value.

Almost all of the aquatic resources exported from the area leave in either a raw or a minimally processed state, in large part to take advantage of the premium that consumers place on freshness. And since seasons for the prime species (including crab, lobster, and herring) are all relatively short and overlap to a significant degree, there has developed a large, and many say excessive, capacity in plants that overwhelmingly specialize in the quick handling of bulk resources, usually with little or no capacity for or expertise in the preparation of market servings with sauces and other ingredients.

Relatively little effort has gone into the exploitation of alternate species and the development of products based upon them, species such as sea urchins, rock crab, mackerel, and ocean perch. The reason usually given is that they are too distant or elusive to warrant the effort, particularly in the case of species with low market value. Aquaculture has not yet become a major factor in the fisheries economy. Its chief product is oysters, and this sector's proponents say it has a much greater potential both for the development and reclamation of oyster beds and for the development of beds and markets for other bivalves. They add, however, that long-term investment in research and commercial development has been insufficient.

The fish-processing industry is owned overwhelmingly by local interests, a major change from the ownership structure of a few decades ago. Recent decades have also seen captains of crab boats become investors in their own processing facilities, in an effort to protect against the auctioning down of catches by processors busy with other catches coming to the same docks. Heightened competition

41. This may well be a transitory phenomenon. In research for the preceding volume in this series (on the economy of Prince Edward Island), we were told that Island lobster processors had been hurt in 1997 by strong and successful competition for Island lobster catches coming from New Brunswick processors.

for scarce resources has pitted companies and communities against each other, and this has undermined the cooperation essential to developing strategies and operations that would benefit the industry. There is little sign of consolidation in the industry, with the exception of the Blue Cove Group of six companies based in Anse-Bleue, which has made some strides towards longer-term employment for its processing workforce, based in part on the procurement of resources outside the region as these become available.

Decades of using Canada's employment insurance system to bolster employment in the Maritimes have had the effect of inflating the number of workers in the fishery. Now that EI has been reformed, the level of income support has been greatly reduced, and this combined with recent declines in the industry's total receipts has produced a crisis in the region. With the fishery's capacity to create more and longer-term employment in serious doubt, it will likely be left to other sectors of the economy to take up the slack, something that regrettably has shown few signs yet of happening.

■ Peat

The region is home to a steadily growing peat industry that accounts for more than 40 percent of Canada's total production of horticultural peat. There are about twelve companies or company groups with twenty or so different properties involved in primary peat production in the region. Most activity is centred in the lowlands near the tip of the Acadian Peninsula and its islands, though production has picked up considerably in recent years in Northumberland County. There are five groups of companies in the region with more than one hundred employees during peak season: Fafard (183), Sun Gro (156), La Mousse Acadienne (141), Heveco (132), and Le Groupe Qualité Lamèque (120).

The bulk of the industry's production is sold in bales to markets in North America, Asia, and Europe. Relatively little production is given more added value than is provided through the screening and drying of raw peat. The most noteworthy exception is Jiffy Products, which manufactures a variety of peat pots and other seeding media. Some work has been done on adding other ingredients to peat, such as vermiculite and fertilizer, and to developing a composted product that combines peat with waste from fish processors. The latter initiative was constrained by the stronger demand for fish waste from the fish meal industry, which produces animal feeds. The development

of systems that use peat to treat waste water from landfills and homes has not yet resulted in substantial sales of the associated technologies.

■ Agriculture and Agri-Food

Agriculture in the Northeast is a relatively minor contributor to the economy, a consequence of mostly poor soils and a generally short growing season. Most of the activity is among dairy producers, and there are some livestock operations that particularly in the case of pork suffer from low prices occasioned by a weakening demand from Asia, a trend that has had a continental impact on prices. Dairy production in the area flows to the Northumberland Co-op in Miramichi (three hundred employees), which is easily the largest nonseafood processing plant in the region. It supplies fluid milk to Eastern New Brunswick and also acts as a distribution centre for products (e.g., cheese, butter, ice cream) from other dairy cooperatives, particularly Farmers of Nova Scotia. The co-op had sales of \$68 million last year; this includes supplies sold to farmers. Among other food-related industries in the region are two small bottlers of soft drinks (in Miramichi: Cassidy's, with fifty to sixty employees; in Campbellton: Multi-Soda, with fifteen to twenty-five employees) and a recently opened spring-water bottler, Loric Beverages of Caraquet, which employs sixty people and is confident of future growth.

Another notable agri-food producer in the region is Mega Bleu at Tilley Road near Tracadie. This facility freezes blueberries produced in the immediate area as well as blueberries bought from Quebec and Southern New Brunswick. It has grown rapidly, to the point where it now employs two hundred people in peak season (not counting harvest labour). For many it manages to spread the work over most of the year, some working in company fields, others applying fertilizer to supplier farms, and still others working in the factory itself, all according to the needs of the season (the company estimates that it provides forty jobs on a full-time-equivalent basis). There is considerable room for expansion of the blueberry industry in the area, particularly since blueberry cultivation is better suited than forestry to areas of sandy soil, which is common in the Peninsula. A major potential exists for planting on land in the former Tracadie military range as well as in provincial Crown forest areas and on private land (though private parcels of land are usually smaller and do not lend themselves to efficient mechanical crop treatment or harvesting).

There has been much discussion regarding the potential for developing other crops of small fruits that are flavourful if not very sweet, a consequence of the region's short growing season and acid soils. There is a general passion for wild strawberries in the Peninsula, and while local taste may spurn the cultivated variety, a seasonal succession of cultivated berries (from strawberries to raspberries to blueberries to cranberries) would contribute to the region's economy with their processing and storage and provide a relatively continuous flow of work for farmers, pickers, and processors. Such development will depend in large part on the efforts of younger farmers because of the heavy demands placed on growers by the land preparation for such fruits as well as their nurture: a cranberry bed does not produce a commercial crop for five years, and development of such beds costs about \$20,000 an acre.

Some encouragement for the development of these new crops has been offered through the province's recent policy promoting the creation of farm wineries. However, the economic demands of such development — a minimum five acres planted with fruit or, in the case of mead (hydromel) production, 250 beehives — may discourage prospective producers because of the required level of investment. There are also some small producers of specialized food products in the region: Amazin' Raisins (in Atholville: producers of raisin snacks and employing twenty) and Champinord (in Eel River Crossing: producers of mushrooms and employing twenty-two), and smaller producers like Hengst Quality Sausage & Meats (in Eel River Crossing: employing four) and Blancs d'Arcadie (in Caraquet: producers of goat's milk, cheese, and yogurt and employing two or three).

The general decline in the number of active farms, their ageing proprietors, and the limited sources of supplemental and primary income — whether from wood cutting, the fishery, or mill jobs — seem to point more to a decline in the industry than to growth. The prevalence of woodlot clearcuts can be seen as a partial consequence of lower agricultural revenues as well as anxiety over the issue of succession taxes noted earlier. Farm credit in general is seen as scarce and hard to get in sufficient amounts. It is indicative of the circumstances of the region's agriculture that the bulk of the farm tractors sold there are bought for landscaping, the peat industry, and utility contracting, and very few for strictly agricultural purposes: more are used to mow grass than to cut hay, and more attachments are bought to blow snow than to plow soil.

■ Tourism

The tourism sector of the Northeast's economy is generally seen as having a significant potential for growth. Its proximity to Quebec is a major advantage, since the population in the area closest to the border is strongly bilingual. The Acadian Peninsula has benefited from this tourist traffic, which has grown in the past few years because of the relative decline in the Canadian dollar and because of interest in Acadian culture and access to uncrowded beaches and coastal areas. The region has two salmon rivers of continental renown and many rivers and streams that offer good trout fishing. Such activities are seen as likely to satisfy the tourist appetites of Canada's large population of baby boomers.

The province has chosen three tourism themes for the region. From the northwest to the southeast, they are the Appalachian, Acadian Coastal, and Miramichi trails. These correspond to both cultural and geographic factors. The Appalachian Trail to the north is the penultimate extreme of the Appalachian range that rises in Alabama to the south and in the Gaspé to the east. It is high country, moderately rugged, that is crossed by rivers and covered by a forest of hard and softwood species that present to the eye a variety of textures and colours regardless of the season. The Acadian coastal region, which extends south to include Kent and Westmorland counties, is largely devoted to water-based activities (beaches and boating) and to a growing variety of cultural attractions aimed particularly at tourists from Quebec. The tourism sector in Miramichi has been strongly oriented to angling and other river activities, to forestry, and to annual Irish and folksong festivals. This part of the region has recently turned its attention to the development of retirement communities, particularly to the housing left behind by the closure of the two Canadian military bases at Chatham and St. Margarets.

The development of signature attractions has been given a high priority in the Restigouche area, notably the proposals to upgrade access to and facilities at Mount Carleton and Sugarloaf provincial parks and the plans to use spending on these improvements to attract private investment for an adventure lodge in the former and a luxury hilltop resort in the latter. Plans unveiled by the province in November 1998 propose spending nearly \$15 million (\$8.6 million at Sugarloaf and \$6.25 million at Mount Carleton) over a period of

three years on infrastructure improvements in the two parks.⁴² A smaller amount (\$466,000) will be spent on interpretive centres and river access sites for the Tobique River, which, while outside the region, is contiguous to Mount Carleton. Its development is seen as strengthening tourist activity within the Restigouche subregion.

While access to and enjoyment of the natural environment is clearly the purpose of these strategies, their success depends to a large extent on the provision of complementary support services: restaurants, hotels, and a range of entertainment and alternative activities such as golf that add essential variety to a tourist's stay. Studies of eco-tourism have found that those involved have strong appetites for good food, music, theatre, and other cultural products such as arts and crafts. The first steps towards creating the commercial conditions necessary to provide those services are presently being taken: plans are being drawn up for downtown and waterfront development in Bathurst and for recently announced tourist-based development along the Campbellton waterfront.

Tourism is already supported by a number of cultural attractions, which are being expanded, and by both musical and, to a limited extent, theatrical events throughout the region. Classical music festivals are led by the annual baroque music festival near Lamèque, as well as a chamber music festival near Dalhousie and a piano competition in Bathurst. Over the years, the Miramichi folksong festival has attracted a steady audience, and the annual Irish festival has a strong following. Theatre is represented chiefly by the Théâtre Populaire d'Acadie in Caraquet, a summer series of small-stage productions.

The preeminent fixed cultural attraction in the region is the Village Historique Acadien (VHA) near Bertrand, a re-creation in a village setting of historical rural Acadian life, which has been expanded to reflect urban Acadian culture as it existed early this century. It has also developed a program where children can "live" for a day or a week the lives their counterparts would have experienced a century ago. Though not as frequently visited as the VHA, in part because of its relative remoteness, the Shippagan Aquarium and Marine Centre has also become one of the anchor attractions for tourism in the area, offering various displays of history and technology associated with the fishery, as well as naturalistic aquariums illustrating various

42. In the case of Sugarloaf, the recommended spending has been included in the province's 1999 spending estimates.

marine environments and their inhabitants. At the same time, the centre is a practical research and development facility, with a particular mandate to support the development of aquaculture in the region. Other attractions include a mining museum at Petit-Rocher, a papal history museum in Grande-Anse, a forestry museum in Boiestown, and in Kedgwick a small-scale “working” reproduction of a logging camp from an earlier era.

Another anchor development in the region is expected to be a \$10 million Aboriginal heritage garden being built by the Eel River Bar First Nation on land supplied by the province in a corner of the provincial park at Eel Crossing. This project is being developed in cooperation with the Smithsonian Institution of Washington, D.C., and has encouraged neighbouring communities to invest in hosteleries and other tourist facilities that would serve people drawn to the area by a wider selection of attractions.

In the Acadian Peninsula, creating a mix of eco-tourism and cultural attractions has also become a priority. Leading the way is the construction of waterfront activity centres in Tracadie and Caraquet. More recently, consultants have proposed a plan for Lamèque and Miscou islands that would see the building of trails for the use of hikers, cyclists, and birders, and the construction of a variety of nature, culture, and heritage interpretive centres, with a particular focus on the old Miscou lighthouse, which dates from 1856. In addition, \$2.6 million in federal and provincial funding has gone to support tourist development in the Tracadie-Sheila area. The money was spent on the construction of a boating channel at Pointe-à-Bouveau to shelter small craft passing between the Tracadie (Sheila) and Little Tracadie (Tracadie) rivers from the surf of the Gulf of St. Lawrence. This is seen as supporting further phases of development, including chalet construction and nature activity.

Recent initiatives to provide integrated recreation facilities include the Inch Arran Park in Dalhousie, the winter-summer Atlas Park Activity Centre in Pointe Verte, and the Carrefour de la Mer in Caraquet. Similar ambitions are being pursued for the Bathurst harbourfront area. The development of waterfront hotels and recreation areas has also been undertaken in Tracadie and both the Chatham and Newcastle nodes of Miramichi City. And in Lamèque, the recent construction of a four-star hotel, the Auberge des Compagnons, is expected to be a vital underpinning for various existing tourism attractions as well as projects contemplated for the Peninsula islands.

Initiatives involving day activities and eco-tourism excursions are to be found throughout the region. Private sector kayak rentals and tours are increasingly available in the area, as are river canoe excursions on the Miramichi, Restigouche, and Tetagouche rivers; further development of such private outfitting services is being encouraged in many areas. Development of the New Brunswick Trail is proceeding rapidly, with trails linking Tracadie with Bathurst and St. Quentin with Campbellton almost complete. And work is proceeding on other sections of what is to be a grid of trails for hikers, cyclists, and riders connecting all major areas of the province. In addition, there is a sizeable network of snowmobile trails in the region, including the New Brunswick Trails, which are well used in winter and are being increasingly promoted through the province's White Gold campaign. However, use conflicts, particularly in the rail-to-trail conversions, have arisen in many areas, often traced to the use of all-terrain vehicles (ATVs) and the fact that at high speeds their balloon tires tear up the trails. The racket they make also detracts from the more serene pursuits such as bird-watching.

Development based on winter activities is more feasible in the Northeast than in most areas of the Maritimes, since mid-winter rainfall is less frequent there than in areas farther to the south. This allows for snowmobiling and cross-country skiing, and, in the Restigouche subregion, downhill skiing. It is expected that investment in facilities to be built or upgraded in order to host the Canada Winter Games of 2003 — a joint undertaking by the Chaleur and Restigouche subregions — would reap benefits by luring to the region as tourists some of the people attending the games or following them in the media. The promotion of shoulder season activities, such as enjoying the fall foliage or visiting sugar bush operations, is also being pursued.

The development of off-season tourism activities is likely to be crucial to the viability of the industry generally. It would also broaden the range of choices available to tourists in peak seasons. In a region with a relatively small local population, it is vital for tourist operators to attract customers from outside the region for as many weeks of the year as possible in order to earn back some of their investments in buildings and improvements to their operations. Customers are equally important to the communities' service providers (e.g., musicians and actors, chefs, and guides).

■ Transport

All modes of transportation are available in the area, but there is considerable duplication and competition between them and between localities. There are three functioning ports for import and export at Dalhousie, Belledune, and Miramichi. Small airports equipped for propeller-driven regional aircraft are located at Charlo, Bathurst, and Miramichi (Chatham). All have been transferred to local boards and face challenges of building up business on or near their sites that can take advantage of speedy delivery, since operating subsidies to the airports that have been receiving them (Charlo and Miramichi) are due to end soon.

The railway that runs through the region like a spine from Moncton to Matapedia — part of the original Intercolonial Railway that provided the first efficient land link between Halifax and Montreal — has been sold by CN to a short-line company and now operates as the New Brunswick East Coast Railway. It remains a busy line, particularly for the movement of mine concentrates from the Noranda Brunswick Mine near Bathurst to Belledune, and for the movement of wood and paper products both to Central Canada and to the port of Halifax. The latter is an area in which competition between modes and ports has arisen; construction of a new shed at the port of Dalhousie, which it was anticipated would serve the shipping export needs of the recently re-opened Atholville pulp mill, was suspended when it was found that the movement of Asia-bound containers through Halifax would be more efficient.

Truck transport in the region moves efficiently on the north-south corridor of Highways 11 and 8, but access to markets to the west has been a problem for shippers and carriers. The upgrading and chip-sealing of a resource road linking Bathurst in the east with St. Quentin in the west has helped to some degree; it takes about an hour off the trip time to Montréal. Exports from the Maritimes (particularly via Route 126 from Moncton through Barnaby River) and the Miramichi are also often routed by way of the highway linking Renous and Plaster Rock, and its improvement is a local priority. Shipments headed for the United States, however, are forced to take circuitous routes: south to Moncton and west through Saint John to St. Stephen/Calais, or west from Miramichi through Fredericton to Woodstock/Houlton. Neither trip mileage is optimal.

The availability of natural gas is expected to be a new stimulus to development in the region. A natural-gas spur line from Moncton to

the Northeast would serve many industries in the region that could use the fuel to aid in the production of paper and minerals. A supply of natural gas is also viewed as crucial for the recruitment of investment, particularly in meeting the needs of new heavy industry proposed for the industrial area close to the port of Belledune. This investment would be the construction of a private gas-fired electricity-generating station by Tractebel. Natural gas would also be useful for other major developments, including a Scotia Synfuels plant and an iron pellet producer, both of which have been proposed for the Belledune area in recent years (the subject was discussed earlier under the heading "Mining"). These operations would add to the already considerable traffic in the upgraded port, which presently handles large quantities of coal burned in the New Brunswick Power generating station at Belledune, as well as the import and export of mine concentrates, forest products, the shipment of gypsum recovered by scrubbers in the power plant, and, potentially, fly ash as well.⁴³

■ **New Economic Directions**

Efforts to diversify the economy of the region have taken a number of different forms. Industrial manufacturers who have supplied machinery and service to major mills have broadened their markets. Telemarketing and tele-administrative services have been established by both the private and public sectors. Some companies have made significant investments in developing a textile industry in the northern part of the region, and more effort is expected on this front. The software-development industry has made some progress, and some initiatives using the Internet for direct sales have been started. The region's First Nations are making strides toward becoming engaged in the economy in several new areas, including tourism, contracting, and software. A number of small enterprises have started to develop and sell innovative products and goods beyond the range of traditional commodity exports.

The heavy industry in the area has long required outside sources for specialized equipment and plant-system design. A number of supply and services companies have grown in the region to meet on-going demands for maintenance and equipment replacement, and have gone on to extend their efforts to serve other similar industries in provinces and states far from the region. Examples

43. A strengthening agent in concrete.

include Sunny Corner Enterprises (Miramichi, 30–90 employees), Arvin Machinery (Miramichi, 70), Industrial Rubber (Bathurst, 20), Athol Building Systems (Atholville, 30), Bathurst Machine Shop (20–56), Trac Industries (Miramichi, 15–37), and Mandate Erectors (Bathurst, 50). A recent recruit for the Caraquet area, Erin Systems, also falls into the category of industrial support manufacturing: it plans to employ 75 initially and eventually 110 more to make screening systems of particular use to the peat industry. Major industry also has access to local engineering and environmental companies; the largest such consultancy is the Roy Consultants Group of Bathurst (90+), which provides various services including factory design, road engineering services, as well as geomatic and environmental consultation for the various basic industries of the area.

The creation of jobs in the tele-administration and telemarketing areas has made considerable progress over the past decade. Part of this progress has come from the establishment of decentralized government offices: federal Employment & Immigration and Revenue operations in Bathurst, a federal gun registry in Miramichi, provincial government teleservice centres for tourism in Campbellton, and a provincial services call centre in Dalhousie. In the private sector, the most progress has been made in Bathurst, where Canadian Facts, a market survey company, and a joint call centre (150 employees) operated by AtlantiCom Inc. (telesales) and Pollara (market research) have been successful. There have been setbacks as well, however: the 170-job Phonnettix call centre closed in the spring of 1998 after the company lost a Sprint Canada telemarketing contract.⁴⁴ Recently, Fulford Enterprises, a British Columbia company that already operates a call centre in Sackville, N.B., announced it would establish a 175-job call centre in Dalhousie. There is also a large private telemarketing company in Miramichi, MLHL Marketing (125 employees). Not all communications-based business development is on a large scale; one notable example is a Campbellton entrepreneur who has established a small but thriving business transcribing urban doctors' notes from recorded dictation. The key attraction of the region for various teleservices is the ready supply of bilingual workers. And though the industry has enjoyed some success in the Northeast, it is generally believed that there is even more potential for growth than has yet been realized.

44. The company has reverted to its original owners, who are hopeful that the centre will reopen.

The development of a textile industry has been given a high priority in recent years. The goal is to develop new industry that is not reliant on local raw materials and at the same time promises year-round employment. Some of the successful ventures in this field include Wink Industries Ltd. in Caraquet, the first textile company to establish itself in the region in recent years. It employs more than a hundred people and makes cloth for sheeting. The major recent opening in the area is Atlantic Yarns, which moved into Atholville Industrial Park in 1997. It is a \$32 million facility, employs sixty people, and is expanding to add a hundred jobs and more than triple its capacity to produce cotton and cotton-polyester yarn for the Canadian and United States markets. Other successful companies are Sportcovers International in Atholville, which employs ninety people and makes embroidered covers and accessories for golf clubs, and Paquet Yarns in Paquetville, which at present employs twenty-seven people and has plans to increase that number. The picture is not all bright, however. Hopes that more than a thousand jobs might be created in Bathurst and/or Caraquet as the result of a major initiative by Ranka have proved illusory. Calicloth International, which opened for business a few years ago in Bathurst, never met its job creation expectations of 250 employees and has gone into bankruptcy. And Adeem Sportswear, also in Bathurst, went broke early in 1999. Both companies defaulted on government loans of nearly \$2 million each. Recruitment of manufacturers has taken a different direction with the announcement that Solutions International Inc. will invest more than \$13 million to make and package toiletry products, thereby creating about 130 jobs in Eel River Crossing.

There is also considerable evidence of entrepreneurial and community development activity by five First Nations communities in the region. We have already noted the ambitious plan proposed by the Eel River Bar band for an Aboriginal heritage garden. The same band also has a co-management agreement to develop eco-tourism on Heron Island and is working on a cluster of highway-service businesses off Highway 11. The Pabineau band near Bathurst is taking part in a rotation of cultural events being planned to bolster that region's tourism. A company based on the Burnt Church First Nation has won a major contract to clear land for the natural gas pipeline in Southern New Brunswick, and bands in the area have been active in negotiating access to Crown lands for wood harvesting. There has also been some development in the software industry: the largest company is Digital Edge (Eel Ground, eight employees), a software and Internet service provider.

A number of initiatives in software development have been taken in the region, largely with the assistance of community college training programs and the support of the Department of Advanced Education. The first area off the mark was the Miramichi, where the Community College began a program early in the 1990s to train people to become courseware development entrepreneurs. This has resulted in the creation of a number of small multimedia production and marketing companies that have established themselves in the community and in a few cases moved beyond it.

This sector is also receiving active assistance from the recently created Miratech, initially a subsidiary of the Incubation Centre based in Fredericton. It has taken over the headquarters and garage area of the former CFB Chatham, and houses eleven tenants in addition to its partner firm EBSI.⁴⁵ Incubator client companies are charged economical rents for space as well as access to common (for fee) business services and technical support from co-tenants. The National Research Council, which has an active role in providing financial and other supports to the sector, also maintains an office in the centre. The facilities underwent an expansion late in 1998, converting a former vehicle-service area on the main floor and thereby doubling the space available to both growing and new tenants. More room is being provided by a similar facility that has been established at the NBCC in Bathurst, which houses the college's new program of training and support for computer and communications courses as well as a small incubator that accommodates three software/game companies and the well-known (but now struggling) Acadian periodical *Ven'd'est*.

Though there is hardly any tradition in the region of manufacturing goods for export markets, some encouraging signs are beginning to appear. For example, there is Ovatek, a manufacturer in Bas-Caraquet that has evolved a relatively simple design for a storm-hardy egg-shaped life craft, accommodating seven or four people, for the fishing industry. It is now being readied for the world market, with distribution on all continents. A Bathurst company, Forest Ice, manufactures broomball handles and pads and is also offering a line of complementary equipment, including shoes from Quebec and broomball gloves manufactured by a nearby company, Gants Brunswick of Petit-Rocher, itself a growing company with twenty-eight employees

45. Electronic Business Services International, which operates a technical support centre for business electronic transactions on the Miratech premises.

that has built on its original line of work gloves and has established a supplier relationship with Sportcovers. Lamtrac of Lamèque makes large-tracked vehicles for use in grooming ski hills and snowmobile trails, and Kan-Go-Roo of Atholville makes playground equipment of various types, either according to its own proprietary designs or to satisfy the specific requirements of clients. Others include Fenêtres MQ of Atholville (premium hardwood doors and windows), Caro Flex of Beresford (shades and blinds), Chaussures Orthèses McGraw, Tracadie (customized orthopedic footwear), Handycare Inc., Dalhousie (wheelchair hubs), and Tech Sea, Miramichi (mobile aquariums designed to convey live seafood to distant markets).⁴⁶

There are some companies in the Northeast that are busily engaged in a wide variety of activities. One noteworthy example is Restigouche River Outfitters, which was started earlier this decade by Campbellton entrepreneur Charles Thomas. It is a sporting goods store offering a wide range of premium fishing gear and sportswear; a manufacturer embroidering clothing under contract; a player in the tourism industry catering particularly to well-heeled travelers drawn by the reputation of the Restigouche River (it plans to build a casting pool in downtown Campbellton to permit customers to try out rods and reels before they buy them); and perhaps most interestingly a pioneer in the development of direct marketing through the Internet. It has gone beyond the fairly common practice of putting its catalogue on-line to creating, with the help of NBTel and the local graphic design firm JVH Design and Marketing, the first secure ordering service in New Brunswick. This allows on-line shoppers to send their credit card information to a secure site and then place their orders, which are then shipped. The early success of this initiative has led to a push for the creation of an on-line mall for other manufacturers and merchants in the area. To this end, NBTel has announced that it intends to create a business unit in the area to develop the potential of the electronic merchandizing and distribution business.

■ Finance

The availability and the shortage of financial services both play an important role in the development of new economic activity in the region. On the one hand, industries recruited from outside the region often cite the importance of having a choice of moderate-sized

46. The operation has been suspended until further financing can be arranged.

bank branches in major communities. On the other hand, and this is more often heard from business people in the region, limited banking activity in rural areas and a reluctance to lend to junior businesses are serious and sometimes insurmountable problems.

There are a few examples of creative and, for the region, unusual approaches to the problem of arranging fresh equity financing in cases where business expansion urgently required it. One such case is that of Plancher Heritage of Kedgwick, which needed equity investment in order to build kilns to dry the hardwood the firm uses to make flooring. The solution was to set up a parallel company, Profor Kedgwick Ltd., in which Plancher Heritage workers bought \$200,000 in preferred shares.⁴⁷ Another case is a financial arrangement worked out a few years ago by the purchaser of a then idle plywood mill in Nelson, where the unionized workers of the mill bought a portion of the company, Nelson Forest Products Inc., with support from the province's 35 percent venture capital subsidy.

Yet another example of a venture investment is the purchase by a syndicate of Bathurst investors of a large part of Ovatek, a subsidiary established by Friolet Services Maritimes of Bas-Caraquet to manufacture the Esperanto life-saving craft, which was invented by Vincent Thériault, a jack-of-all-trades from nearby Anse-Bleue. René Friolet remains president of both companies. One of the investors, retired Bathurst computer service manager John Ball, joined Ovatek as general manager, with the assignment to develop export markets for the craft. One hundred have already been sold, mainly to fishing-boat captains in Atlantic Canada.

Worker participation in company investment has not been a happy story in all cases: considerable ill-feeling existed in 1998 among workers at the Dalhousie paper mill, who had agreed to a 12.3 percent reduction in wages to help pay for a refit of their mill, with the condition that the forgone wages (about \$9 million) would be paid to them if the company changed hands. The majority share in the mill, formerly held by Avenor, was sold to Bowater, but Japanese investors retained a one-third ownership, and a dispute arose over whether all shares had to be transferred in order to effect a change of control of the mill and thus trigger a pay-out. While maintaining its

47. The shares were bought with loans from the bank and pay a dividend roughly double the rate of interest on the loans. Liquidity has been assured to a sufficient degree that workers can readily cash in their shares in the event they leave the company either for work elsewhere or because of layoff (relatively rare in this case).

position that control of the mill has not changed, Bowater has nonetheless agreed to the pay-out of the forgone wages over a period of several years. While this appears to resolve the immediate issue, the case is likely to be remembered and to act as a disincentive to accepting any future deferred-profit arrangements the region's large employers may offer their workforces.

The national banking system is well represented in the more-urban centres of the region, but branches are scarce in the Acadian Peninsula: only the Banque Nationale with five branches and the Bank of Nova Scotia with two are located in the area. Modern *caisse populaire* (credit union) buildings are present in nineteen communities, but these date from a period when incomes in the region were higher and steadier than they are now. This limits the possibility — never practised to a high degree even in better times — of credit unions providing financing to small business.

Generally speaking, banks are viewed as suspicious of and unfamiliar with many sectors of the economy that approach them for financing. As well, they are often reluctant to extend loans of any significant amount, especially for long periods of time. It is often said that a couple with steady employment is more likely to get a loan for a sport-utility truck than a loan of half as much to finance the development of a business opportunity suited to an area — a blueberry operation, for example, or an aquaculture enterprise — particularly given the length of time before the money can be repaid.

The requirement by the province and ACOA that entrepreneurs supply 20 percent equity for business loans is also commonly held to be excessive and discouraging. Both the Business Development Bank of Canada (BDC) and the National Research Council (NRC) have given important support to some industries in the area. The development of microcredit systems in the region is a frequent topic of discussion; an effort was made in 1997 to establish such a system in the Restigouche area, but it has not been pursued. Many entrepreneurs or would-be entrepreneurs have turned to lending arms established more than a decade ago through the former Community Futures Program. Experience has suggested to many that there is a need to help prospective entrepreneurs develop detailed business plans. Particularly in rural areas, such a mentoring service is rare. The constant loss to the region, especially to its most challenged areas, of trained and educated youth is an important constraint in

this regard, though there is some hope, and a little evidence to support it, that the return of previous generations' emigrants upon semi-retirement can be a source of help to small companies in the region.

■ Conclusion

As defined by the provincial municipalities law, the region has three cities: Campbellton, Bathurst, and the newly amalgamated Miramichi. It lacks, however, a major urban centre with a strong economy characterized by a rich diversity of professional services, conditions that are essential to the support of the planning and marketing needs of thriving entrepreneurial communities. One reason for this is that the private sector of Northeast New Brunswick has been dominated for many years by major industrial employers in forestry and mining, employers whose nonregional ownership and internal administrative systems have made them relatively independent of local professional service firms, if not of local recruitment. As a consequence, executives of the senior companies in the region have few ties to the area: many core skills from research and development to engineering and marketing are based elsewhere.

Changes in the fortunes of major employers also have a significant impact on the retail businesses in the communities where they are based. Campbellton's retail and service sector has rebounded with the reopening of the Atholville pulp mill and the opening of various medium-sized businesses. But in light of job losses in the mines, Bathurst and Miramichi merchants face harder times. Merchants on the Acadian Peninsula face a particularly urgent challenge resulting from a decline in direct and EI income, an issue most strongly linked to the fishery.

The major challenge ahead for Northeast New Brunswick is to make the transition from an economy that depends on employment income, primarily provided by major industrial employers who produce commodities for export, to one that is more diverse and based on new sectors and the growth of entrepreneurial activity. This is easier said than done, however, particularly because over the decades the region has lost much of its educated leadership base, a necessary ingredient in the conception, gestation, and nurturing of new businesses and sectors. There is a slight hope that some of the people being shed by major employers through early retirement programs will turn to entrepreneurial endeavours, but any such hope must be tempered by the fact that work tending large industrial

machines hardly provides the social and business skills that go into the making of a successful entrepreneur. These are skills more often honed in white-collar professions.

Economic conditions in Northeast New Brunswick are in a state of flux. Changes in the ownership of major resource industries usually lead to immediate cost-cutting initiatives by the new owners, and this together with instability in the markets for resource products has shaken public confidence in the region's future. The result has been a growing survival mentality among the population: many people and businesses have become accustomed to settling for this year's meagre profits in the hope that conditions will improve next year. Often, however, the trend has been in the opposite direction as revenues shrink, hope turns to frustration, and failure breeds resentment. Pessimism about the region's prospects has been further fueled by most of the funding changes for public services and income support.

Some sectors, the wood products industry in particular, have begun to recover from their slumps. Others, especially the fishery, have yet to make the necessary adjustments that would enable them to strike out in new, more profitable directions. Heavy capital investment in the wood industry has resulted in a significant increase in the value added to its products; however, the same cannot be said for the products of the sea, the farm, or the imagination of the region's population. The creation of new and more specialized businesses has been given a high priority, and encouraging them through investment, marketing support, and training may provide the best hope for a more secure and even prosperous future for the people of Northeast New Brunswick.



The Public Sector

As in other Canadian provinces, government has played an important role in the New Brunswick economy. Throughout the 1960s and 1970s, that role grew as the federal government introduced a number of economic development programs to create employment, expanded the unemployment insurance system, and made transfers such as equalization payments that were intended to allow provinces across the country to offer similar levels of service in health and education. By 1990, almost one in four New Brunswickers was a government employee.

The 1990s, however, have been a decade of cutbacks and fiscal restraint as governments on both levels have been faced with budgetary deficits and growing debt. On the federal side, government spending can be divided into three general categories: direct federal functions (current expenditures on goods and services, including wages and employee salaries), transfers to people (such as EI) and businesses, and transfers to provinces. During the 1990s, the size of the federal civil service decreased dramatically, major reforms to EI have meant significantly less money coming into the province, and federal transfers to provincial coffers have gone from 43.3 percent of provincial revenues in 1992–93 to around 36 percent in 1999.

This has meant that during a time when it was attempting to deal with its own deficit and debt, the province has been faced with decreasing financial support from the federal level. The 1990s have seen a major downsizing of the provincial civil service as well as a significant reorganization of health, education, and municipal systems.

Of course, just as increased spending throughout the 1960s and 1970s did not help all regions of New Brunswick in the same way, neither have cutbacks in the 1990s hurt all parts of the province equally. In this section, we look at changes in the public sector during this decade and their effects on Northeast New Brunswick.

■ Public Sector Employment

Public sector employment in Canada peaked in 1992 and has been on the decline ever since. Treasury Board statistics show that the size of the federal public service countrywide declined by 17 percent between March 1995 (225,619 employees) and March 1998 (187,187 employees).⁴⁸ The province of Newfoundland was affected most, with a reduction of 27 percent during this period; New Brunswick followed with a 24.4 percent reduction, and Nova Scotia was third with 22.1 percent. The reason for this is the high concentration in the region of departments most affected by the cuts.⁴⁹ For example, 4,500 employees of Fisheries and Oceans, Agriculture and Agri-Food Canada, and Health Canada were transferred to the Canadian Food Inspection Agency; a large proportion of them worked in the Atlantic region.

Of course, government employment, with its generally good pay cheques and, at least in the past, reasonable expectation of security, is not spread equally across the province. Government jobs, especially federal ones, tend to be concentrated in the larger centres. If we look strictly at government departments, there were 7,869 federal jobs in New Brunswick in March 1992 and 5,829 in March 1998, a reduction of 26 percent.⁵⁰ Of these jobs, 27 percent were located in the three Northeast counties in 1992 and 16.6 percent in 1998.

The Northeast was hit disproportionately by these cuts, largely because of the removal of 222 civilian employees of the Department of National Defense in Chatham in 1996. If we consider that with military personnel included a total of a thousand jobs were lost at CFB Chatham, the proportionate loss is even greater.

In Northeast New Brunswick, Bathurst tends to be the regional service centre for the federal government. Large employers include Human Resources Development Canada (HRDC), with 407 employees in March 1998, and Revenue Canada, with 70 employees. ACOA also has a regional office in Bathurst, but its staff is small — less than five. In Campbellton, the number of HRDC jobs was reduced from 40 to 30 after an agreement to transfer some services was signed

48. Treasury Board of Canada Secretariat, *Employment Statistics for the Federal Public Service: April 1, 1997, to March 31, 1998* (Ottawa, 1998). These figures do not include RCMP or Canadian Forces military personnel.

49. *Ibid.*

50. Treasury Board statistics.

with the province. Veteran Affairs is the second-largest federal employer in the city with 19 employees. HRDC employs almost 80 people in the former Newcastle,⁵¹ including approximately 50 in its national investigative centre. The Atlantic Institution at Renous employs close to 250.

Most of these figures have not changed significantly since March of 1992, except for the DND jobs in Chatham, which have been eliminated. Employment at the Renous institution has actually increased by 40 during this time. In the fall of 1998, the Canadian Firearms Centre, the national gun registry, opened in Miramichi City, immediately creating 115 jobs and with another 200 expected.

On the provincial level, the health and education systems are the major employers in the Northeast region. Both have seen major downsizing this decade (we will say more about this later). Table 18 shows provincial health and education employment, by economic region, in the Northeast; table 19 shows employment by government departments.

Table 18
Health and Education Employment by Subregion, 1998

	Restigouche	Chaleur	Acadian Peninsula	Miramichi
Hospital corporations	Region 5, Campbellton (1,400)	Region 6, Bathurst (1,800)	—	Region 7, Miramichi (1,000)
School districts ¹	# 14 Campbellton-Dalhousie (260) # 5 Campbellton (467)	# 15 Bathurst (240) # 7 Beresford (475)	# 9 Tracadie-Sheila (1,350)	# 16 Miramichi (681) # 11 Richibouctou (484)
NBCC	Campbellton (100)	Bathurst (290)	—	Miramichi (150–200)

Source: Health Corporations, School Districts and Community Colleges (NBCC).

1. Full-time permanent, including administration and support. Supply and casuals not included.

In table 18, we note that while the regional headquarters for Health Corporation # 6 are in Bathurst, many of the 1,800 employees would live on the Acadian Peninsula. As well, the Peninsula is served by the Bathurst Campus of the New Brunswick Community College.

51. Newcastle is now part of Miramichi City.

Table 19
Employees by Department and by Major Centres in Northeast New Brunswick, 1998

	Restigouche (Campbellton)	Chaleur (Bathurst)	Acadian Peninsula (Caraquet and Tracadie-Sheila)	Miramichi (Miramichi City)	Total in Northeast	Total in Province
Advanced Education and Labour ¹	76	216	3	136	431	1,629
Health and Community Services	115	87	77	92	371	1,716
Transportation	54	45	25	94	218	2,399
Solicitor General	10	28	2	102	142	644
Natural Resources and Energy	16	41	10	51	118	928
Municipalities, Culture and Housing	24	11	16	19	70	690
Human Resource Development	16	9	20	17	62	474
Justice	14	21	2	16	53	278
Fisheries and Aquaculture	0	2	24	0	26	151
Economic Development and Tourism	19	4	2	1	26	278
Other departments	5	21	29	15	70	1,724
Total line departments	349	485	210	543	1,587	10,911

Source: Employment by department and by city is from the New Brunswick Department of Finance, Human Resource Information Branch, and is based on employees' cheque-mailing postal codes. Total number of employees by department is taken from part 1 of the New Brunswick Public Service, November 1998.

1. The Advanced Education division of the Department of Labour was in the process of being transferred to the Department of Education in late 1998 and early 1999.

As table 19 shows, Advanced Education and Labour has the largest number of employees (431) in the Northeast, followed by Health and Community Services (317). Surprisingly, Economic Development and Tourism has only 26 employees (roughly 10 percent of total employees), and they are spread throughout the three Northeast counties.

In addition to these line departments, Tourism New Brunswick has a call centre in Campbellton with 60 employees in peak season; Service New Brunswick has a call centre in Dalhousie with 26 employees. On the Acadian Peninsula, provincial employers include l'École des Pêches (which varies between 32 and 72 employees), the Aquarium and Marine Centre (29–44), the Shippagan Campus of the Université de Moncton (80), and the Village Historique Acadien (60). The New Brunswick Youth Centre on the Miramichi employs 130.

■ Transfers to People

Probably the most devastating impact the reductions in federal transfers have had on Northeast New Brunswick has been in transfers to people, with the reform of the UI system (now called “employment insurance”) and the elimination of the Atlantic Groundfish Strategy (TAGS). Statistics Canada figures show that federal transfers to people in New Brunswick peaked in 1993 at \$2,071 million, of which more than 40 percent was UI payments.⁵² That dropped to \$1,974 million in 1995, with UI payments accounting for 35 percent. Those figures do not tell the whole story, however, as there have been major reforms of the system since.

Unemployment insurance reforms began this decade, in July 1994, when the qualifying period was extended from ten to twelve weeks, the number of workweeks new claimants needed to qualify was increased, and the benefit rate changed from 57 to 55 percent (60 percent for recipients with dependents). The impact of the first two changes was to create a period of no income for workers. In New Brunswick, they have been dubbed “gappers.” In July 1996, the maximum weekly benefit rate was reduced, and the maximum duration of benefits was cut from fifty to forty-six weeks. Since January of 1997, eligibility has been based on hours rather than weeks worked, and a new formula for benefit-rate calculation has been introduced. The name was changed to “employment insurance.”

52. Statistics Canada, table 15, Cat. 13-213.

The effect of all these changes has been to decrease the number of recipients as well as the amount of the benefits paid out.⁵³ In New Brunswick as a whole, the number of recipients went from 55,589 to 34,851, a drop of 37.3 percent between 1993–94 and 1997–98. In the Northeast, the number went from 15,996 to 9,036, a drop of 43.5 percent.⁵⁴ Table 20 shows what this has meant in dollar terms.

Table 20
Total Employment Insurance Benefits Paid Out
in New Brunswick and the Northeast Region, 1993–98

Year	New Brunswick		Northeast Region (excludes Northumberland)	
	Total (in million \$)	Variation (%)	Total (in million \$)	Variation (%)
1993–94	886	–	226.1	–
1994–95	809	-8.7	203.3	-10.1
1995–96	735	-9.1	181.6	-10.7
1996–97	668	-9.1	245.4 ¹	35.1 ¹
1997–98	605	-9.4	109.2	-33.0

Source: Action North, *Backgrounder on Economic Circumstances in Northern New Brunswick*.

1. The 1996–97 figures for the Northeast Region were overestimated; the risk of an overlap in statistical data is greater for that year because of changes in geographic boundaries of EI regional offices.

Since UI reform began in 1994, the province overall has lost \$281 million in absolute terms, a decrease of approximately 32 percent between 1993–94 and 1997–98. Gloucester and Restigouche counties have lost \$116.7 million, a decrease of 51.7 percent during the same period. This is money directly removed from the economy. The Northeast has been affected more dramatically because of its dependence on seasonal work.

Another program introduced in 1994, because of the collapse of the groundfish fishery, was the Atlantic Groundfish Strategy. Although the bulk of recipients were in Newfoundland, an estimated thirteen hundred New Brunswickers, mostly on the Peninsula, were also eligible (both fishers and plant workers). More than 40 percent of New Brunswickers still eligible for TAGS when the program finished in August 1998 had relied on it for 50 percent or more of their income in 1995.⁵⁵

53. It unfortunately occurred at the same time as problems were increasing in the fishery.

54. Action North, *Backgrounder on Economic Circumstances*.

55. *Ibid.*

Because of changes to these two federal programs, the number of people in the Northeast turning to provincial social assistance has been on the rise since 1995. Provincewide, the number of people on welfare has been declining.

■ Transfer Payments to the Province and Provincial Government Reorganization

As noted earlier, federal transfer payments to the province have dropped significantly during the 1990s, from 43.4 percent of provincial revenues in 1992–93 to roughly 36 percent today. As a result, the province has had less money to support programs such as health and education.

The Liberals under Frank McKenna came to power in 1987 on a platform of financial management and fiscal restraint. Some in the province say that the former premier anticipated the cuts of the 1990s, and once in power, he set about getting New Brunswick's books in order to better cope with them when they came. In 1988 the Liberal government introduced zero-based budgeting, which in effect means no automatic increase in expenditures each year to cope with inflation. The government also vowed to keep growth in expenditures in line with growth in revenues.

The province incurred a deficit in its annual operating budget throughout the early 1990s. Then in 1993–94 balanced budget legislation was implemented. This law required the province to balance its ordinary accounts during the three-year period ending in 1995–96. At the end of March 1996 the province made a surplus of \$51.1 million, which was applied to the debt.⁵⁶ At that point, the province's net debt was \$5.5 billion, compared with \$149.1 million in 1964–65.⁵⁷

One area in which the McKenna restraints have been effective, other than the fact that the province has had an ordinary accounts surplus each year since 1995–96, is that by the spring of 1998, New Brunswick was one of only three provinces in Canada to receive a credit-rating upgrading.⁵⁸ Success has not come without a price, however. Major reorganizations of the health, education, and municipal systems have left many working harder than ever before. The health

56. The first time in sixteen years that the net debt had been reduced.

57. New Brunswick, Department of Finance, *A Long-Term Debt Reduction Plan*, 1997.

58. According to a spokesperson for the New Brunswick Department of Finance.

system is reportedly stretched to the limit, many people are questioning their children's education, and the amalgamation of communities remains a sensitive topic. In this section, we look at how such reorganization has affected the Northeast.

Health

The trend in Canada has been towards a decrease in health spending. From 1975 to 1991 spending on health increased by an average of 11.2 percent per year, dropping to 2.8 percent per year from 1992 to 1995 and then to 1.8 percent per year from 1996 to 1997.⁵⁹ New Brunswick, however, has bucked this trend. According to a recent report by the Conference Board of Canada, the increase in the province's health spending between 1993 and 1995 actually surpassed the national average.⁶⁰

Those involved in the system say that New Brunswick has just spread the pain over more years. In fact, the province was one of the first to begin rationalizing and downsizing its health care system when it created seven regional hospital corporations in 1992. (Other provinces such as Ontario and Quebec are now doing the same, although in a much shorter time period.)

The department's annual report for 1992–93 notes that fifty-one hospital boards were replaced by seven corporations as operations were rationalized and reorganized; 290 hospital beds (out of a total of 4,000) were closed and 250 positions removed from the system. The following year, another 785 full-time equivalents, and close to the same number of hospital beds, were removed.

Before these changes, in Restigouche County, for example, Campbellton Hospital, St. Joseph's Hospital in Dalhousie, and the Restigouche Psychiatric Hospital all had their own administrative structures.⁶¹ Now with consolidation, all these facilities are run by Hospital Corporation # 5 (the largest employer in the county, with 1,400 employees), which also oversees the extramural program and addiction and ambulance services for Restigouche East and the Jacquet River and East Restigouche health centres. The streamlining has resulted in a loss of 300 beds and an equal number of jobs, and a consolidation of services at the Regional Hospital in Campbellton.

59. Canadian Institute for Health Information, National Health Expenditures Database. These figures reflect total expenditures from both public and private sources.

60. Christine Taylor, *Corporate Response to Rising Health Care Costs* (Conference Board of Canada).

61. Each with its own purchasing department, personnel department, finance department, etc.

Probably the most controversial consolidation has taken place in Chaleur, with Hospital Corporation # 6 (North-East Health Network) taking over responsibility for health services at the Bathurst Regional Hospital as well as hospitals in Caraquet, Lamèque, and Tracadie-Sheila on the Acadian Peninsula.⁶² It too is the biggest employer in the Chaleur region, with 1,800 employees and an annual budget of \$73 million. An estimated 200 jobs were lost between 1992 and 1998 in Region # 6.

Within Region # 6, layoffs were proportionately greater on the Peninsula as services were consolidated in Bathurst. The closure of laundry and purchasing departments at hospitals on the Peninsula has meant a loss of incomes and a weakening of the local economy. Some people kept their jobs but had to spend two hours a day commuting to and from work. As well, women on the Peninsula must now drive to Caraquet or Bathurst to give birth, a situation that has provoked an outcry, especially given that the Acadian Peninsula alone has a greater population than all of Restigouche County. Northumberland County has seen the same kind of rationalization of health services, in particular with the opening of the Miramichi Regional Hospital and the consolidation of services under Health Corporation # 7.

Unlike other provinces now rationalizing their health systems, New Brunswick has not closed any acute-care hospitals. But the process has been hard on employees; it has pitted small communities against large and left everyone feeling distressed. The downsizing has affected approximately 20 percent of administrative, support, and nonpatient care-service positions. For those who remain, it has been an on-going challenge to deliver effective health care with fewer and fewer dollars.

New Brunswick's 1998-99 budget notes that fundamental changes in the design of the health care system have now been completed. Most of the hospital corporations, however, are operating in the red. At the time of writing, the provincial government is vowing to put more money back into the system. In the fall of 1998, the Health Services Review Commission began a series of twenty-five provincewide hearings to assess the results of reorganization and to look at future needs.

62. Tracadie-Sheila has a new hospital; it was built in 1991.

Education

The education system has also witnessed major changes this decade. Once again, New Brunswick was one of the first provinces in the country to undertake major reforms of its education system. Following the release of the province's *Report on Excellence in Education* in 1992, there was a major amalgamation of school boards: forty-two boards in the province were reduced to eighteen (twelve anglophone and six francophone).

In the Northeast, for example, on the English side, Districts 40, 8, and 10 in Northumberland County became School District # 16. Districts 36 and 38 in Campbellton and Dalhousie were amalgamated to form School District # 14. Bathurst (formerly School District 42) became District # 15. In effect, the English system went from six small boards to three large ones.

On the French side, Districts 1, 35, and 37 in Campbellton became District # 5. District 41 in Beresford became District # 7. Districts 5, 6, and 7 in Tracadie became District # 9. In Northumberland County, French Districts 12, 39, and 53 became District # 11, then based in Richibucto.

In 1996, with the release of the report *Renewed Education System for New Brunswick*, school boards were abolished. The school board structure was replaced by a so-called parental governance structure with elected committees at each school. In 1998 the Parental Governance Structure Review Committee undertook a study of the effectiveness of the new system.

In 1996 there was also a major consolidation of school administrations. The eighteen school districts were consolidated into five anglophone and three francophone *superintendencies*. What this meant in the Northeast, for example, was that French Districts # 9 (Acadian Peninsula) and # 7 (Beresford) shared one superintendent as well as administration services.⁶³ This resulted in a reduction of seventy-three positions in the Department of Education in Fredericton.⁶⁴ Some people within the system say they are now having to work longer hours as well as evenings and weekends to keep up with the added responsibilities.

Many of these changes were motivated by the provincial government's desire to cut costs, although a spokesperson for the depart-

63. Rather than having a superintendent and assistant superintendent each.

64. According to a spokesperson for the New Brunswick Department of Education.

ment maintains that the emphasis was placed on streamlining administration rather than cutting educators. Between 1991 and 1998 the educator/student ratio increased only slightly, from 16.3 to 16.9.⁶⁵

Municipalities

Reorganization of New Brunswick communities has also been a preoccupation of the provincial government during the 1990s. Early in the decade, Municipalities Minister Marcelle Mersereau tabled a report in the legislature which looked at the most appropriate structures for local governments, given "the current crisis in public finances."⁶⁶ The document suggested that the best way for municipalities to cope would be by working with nearby communities to regionalize services.

In 1993 the government launched a study which led to the creation of the City of Miramichi, an amalgamation of five municipalities and six local service districts. In 1996 municipal restructuring continued as the government announced studies for the Greater Saint John, Greater Edmundston, Greater Campbellton, and Greater Dalhousie areas.⁶⁷ To date, neither of the latter two areas has been amalgamated, although some municipal services have been regionalized. There have been other amalgamations in the Northeast throughout this period: the town of Tracadie and the village of Sheila on the Acadian Peninsula were amalgamated in 1992; Belledune was enlarged four years ago to include Pointe-Verte and Jacquet River.

This process took place in the context of two major trends. One occurred in the 1992–97 period when the growth rate of tax bases, the major source of funding for municipalities, slowed. At the same time, the pool of unconditional grant funding by the province, the second largest source of revenue for municipalities, was cut from \$109.6 million in 1991 to \$74 million starting in 1999.⁶⁸ To deal with this situation, municipalities have essentially had two choices: raise taxes or cut services.

65. According to department statistics. The "educator" group includes teachers, guidance counselors, psychologists, and other professional staff.

66. *Strengthening Municipal Government in NB's Urban Centres* (Fredericton, 1992).

67. Greater Campbellton includes Tide Head and Atholville. Greater Dalhousie includes Charlo and Eel River Crossing.

68. Unconditional grants were introduced in 1967 as part of the Programme of Equal Opportunity to ensure that all citizens have a right to a certain level of municipal services, no matter where they live.

In addition to cutting the unconditional grant pool, the province also began a study to change its formula. One problem had been that the existing formula for unconditional grants resulted in unincorporated areas (local service districts) having a much lower tax rate.⁶⁹ In effect, this led to intermunicipal competition for industrial and commercial development. It also resulted in many people moving outside the city, where taxes were lower, still depending on but not paying the city for its municipal services.

As of 1998, the formula has been changed, although the jury is still out on its long-term effects. Some municipalities, such as Dalhousie, will lose revenue because of their relatively strong industrial base compared with other communities (Dalhousie's grant is expected to drop approximately 75 percent by the year 2002).⁷⁰ Some say that there are built-in incentives for a municipality *not* to develop its economy, since if it does, it will lose unconditional grants.

Studies have emphasized the economic development benefits of municipal amalgamations. For example, both Campbellton and Atholville have industrial parks, with respective occupancy rates of 50 and 75 percent. In an amalgamated community, emphasis could be put on developing the Atholville park (which has a better location) and using the extra money on other projects such as downtown revitalization.⁷¹

■ Conclusion

Because of reductions in federal employment in New Brunswick, the major reform of the EI system, and cuts in federal transfer payments to the province — and also because of the province's own agenda — there have been fundamental changes to the social structure of New Brunswick during the past decade. Some believe that those changes are equivalent to the reforms made during the Robichaud government's Programme of Equal Opportunity in the 1960s, although it is probably too early to judge. In any event, a town that has faced the loss of a school board, a major downsizing of services at the local hospital, and amalgamation with another community may indeed feel that it has experienced a revolution during this decade.

69. For example, Campbellton's tax rate was \$1.49/\$100 of assessment in 1997, compared with Atholville's rate of \$1.12/\$100.

70. *Communities and Cooperation: Local Government Options for the Dalhousie Region*, August 1997.

71. *Into the Future: A Community of Interest, Local Government Options for the Campbellton Region*, July 1997.

It is clear that the province of New Brunswick today is much less dependent on federal transfer payments (as a percentage of total revenues) than it was a few years ago. As a consequence — and to get its own house in order — the size of the New Brunswick civil service has been significantly reduced. Consolidation of health services within hospital corporations and a reduction in services at smaller hospitals have cut health spending and employment. Administrative streamlining in the education system and many line departments has also cut costs.

The Atlantic Provinces Economic Council maintains that the Atlantic provincial governments have taken the lead in Canada in limiting the growth in the number of civil servants. “Employment at provincial and municipal governments in the Atlantic region is now well below 1991 levels,” says one report. “On a per capita basis, provincial government employment in the Atlantic Provinces is below the national average.”⁷² At the same time, the council also maintains that the dependence of both Nova Scotia and New Brunswick on the federal government now stands at a level unmatched since the 1960s.⁷³

In 1995 the Atlantic Provinces Economic Council estimated that “10.3 private sector jobs were being created for every job lost in the public sector.”⁷⁴ This is good news, although some question the quality of those new jobs. As a report by the Canadian Council on Social Development notes, “Small and medium-sized businesses — where most of the job growth in the 1990s has occurred — generally offer lower wages, more part-time work, and fewer non-wage benefits.”⁷⁵

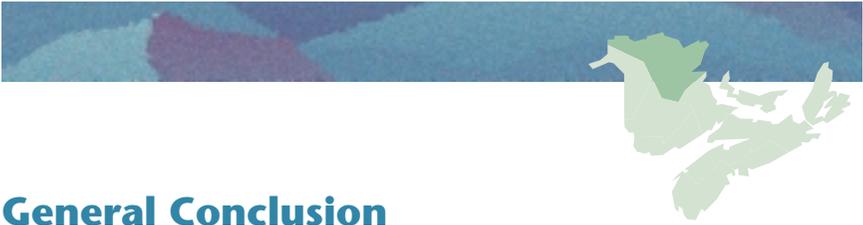
In any event, perhaps the changes with the greatest impact on Northeast New Brunswick have been those made in transfers to people. Reform of the EI system has withdrawn significant amounts of money from the economy, at a time when the economy, heavily dependent on natural resources, can least afford it. Because the changes hit seasonal workers harder, EI reform will ultimately require major structural changes to the economy in many parts of Northeast New Brunswick. The impact of such changes has yet to be felt.

72. APEC, *The Changing Face of Atlantic Canada*, Bulletin # 1, 1996.

73. *Ibid.*

74. APEC, *Private Sector Job Creation*, Bulletin # 3, 1997.

75. Canadian Council on Social Development, *Public Sector Downsizing: The Impact on Job Quality in Canada*, Research Report, 1997.



General Conclusion

The 1980s and 1990s have witnessed a cycle of economic instability. Two major recessions in less than ten years have threatened many of the basic programs of the welfare state, particularly those aimed at reducing regional disparities. And fundamental structural changes have been triggered by the impact of technological breakthroughs, especially in the areas of computing and communications, which have led to the globalization of markets.

Regions dependent on natural resources, like Northeast New Brunswick, were especially affected by world economic restructuring because their economies rely heavily on the export of raw materials and manufactured goods. In general, industries based on natural resources are more vulnerable than those concerned with market access or innovation. The main threat for the former comes from low-cost competitors, which is why the mining and pulp and paper industries, among others, have had to invest so heavily in modernization to maintain their competitiveness.

Thus, since the beginning of the 1980s, there has been a sharp reduction in employment in the processing and manufacturing sectors. The manufacturing sector in Northeast New Brunswick was severely shaken; indeed, it saw employment shrink by approximately 11 percent during the 1980s, followed by a further reduction of 9.6 percent between 1991 and 1996. The pulp and paper sector was particularly hard hit, especially in the Restigouche subregion. The problems of the mining industry (a dominant sector in the Chaleur subregion) and the fish-processing industry (a leading employer on the Acadian Peninsula) are attributable as much to the growing scarcity of resources as to the adoption of advanced technologies and changes in world demand. These industrial sectors are paying the price for focusing so heavily on primary processing. Faced with the reluctance of markets to accept any price increase for commodities and the inevitable increase in production costs, notably linked to the supply of commodities, industrial firms have been forced to carry on with mass production, thereby heavily mortgaging their capital — the natural resources.

Northeast New Brunswick, along with Cape Breton and Northern Nova Scotia, is probably the economic region that has been most affected by the restructuring of the 1980s and 1990s. The regions of Halifax, Northern Nova Scotia (Truro–New Glasgow), Charlottetown, and Southern New Brunswick have all been able to take advantage of their favourable geographic locations and their urban fabric to begin the transition to the new economy. And Fredericton, Saint John, and Moncton have already established a network of infrastructures and services tied to the fields of telecommunications, geomatics, and telemarketing. They have also seen the parallel emergence of a host of specialized services linked to these new sectors and have strengthened their bases in the field of diversified manufacturing, as witnessed by the expansion and modernization of their industrial parks. Similar developments are much slower to take shape in the less-urbanized regions of the province.

Northeast New Brunswick shares many of the socio-economic characteristics of the Maritimes as a whole, notably its economic structure and dependence on social transfers. But it is also distinct in a number of ways. First, it enjoys abundant and varied supplies of natural resources, much richer in this respect than many other regions. One of the consequences of this is a large and diversified export sector, which nevertheless remains underdeveloped except for the paper industry.

Second, although it is relatively important in demographic terms, the region has a low level of urbanization. Only 60 percent of its population lives in urban areas, compared with 69 percent for the Maritimes as a whole and between 75 and 84 percent in the three economic regions of Southern New Brunswick. The Northeast includes several secondary urban centres, but their capacity to attract and even retain people is weak. Indeed, it is these centres that are registering the largest migration losses, a situation that constitutes a barrier to regional economic adaptation. Consequently, the Northeast is unlike a number of other economic regions in that it lacks a real urban nucleus to bolster the population.

In demographic terms, the picture was bright in Northeast New Brunswick in the 1960s and 1970s when there was a population increase of 23,500 (15 percent). Since the beginning of the 1980s, however, the numbers have stagnated and, indeed, declined (by 1,394 people, or 0.78 percent, between 1991 and 1996) as a result of a fall in the birth rate and, more especially, migration. In fact, between 1976 and 1996, the region posted a net deficit in migration of close

to 14,500 people. Employment reductions in resource-based sectors and the low level of economic diversification have prompted many residents to leave the region.

Another way in which the Northeast differs from the rest of the Maritimes is its extensive experience with regional development. In 1966 the region was involved in a pilot project within the framework of the FRED program. The various regional and sectoral agreements from which it benefited led to a number of innovations in the management of economic development (e.g., the regional industrial commissions) and resulted in the organization of three important economic summits, the only ones that have been held thus far in the Atlantic region.

Lastly, Northeast New Brunswick is unique in the Maritimes in that it is the only region, other than the neighbouring Northwest region, that is predominantly francophone (63.5 percent). Although this is perhaps irrelevant in strictly economic terms, the region's linguistic make-up has a definite impact on the provision of government services. The Northeast is also marked by a degree of linguistic ghettoization, with anglophones tending to cluster in the urban centres and francophones being more dispersed. The major urban centres have had a sorry demographic record over the last fifteen years or so, the result of an out-migration that has particularly affected anglophones in the region. Consequently, for the whole of the Northeast, the francophone population increased by 4.7 percent between 1981 and 1991, compared with a decline of 8.6 percent in the anglophone population. And from 1991 to 1996, the francophone population grew by some 2.2 percent, while the number of anglophones fell by 1.3 percent.

The economic base of Northeast New Brunswick is more dependent on resources than the rest of the Maritimes. The extraction and processing of natural resources employs close to 27 percent of the labour force (35 percent on the Acadian Peninsula), compared with around 20 percent in New Brunswick and the Maritimes. Almost one-third (32 percent) of employment income derives from jobs linked to resources, compared with 22 percent for New Brunswick and 20 percent for the Maritimes as a whole.

On the other hand, the region is structurally deficient as regards two important groups of industries — the public sector and dynamic services. The public sector (which covers health care, educational services, and public administration) employs 26 percent of the labour

force and accounts for 31 percent of employment income. Although this is a significant contribution, it is still below the provincial and Maritime averages. The public sector is less significant in Northeast New Brunswick for the simple reason that the central agencies, both public and parapublic, are generally located in provincial capitals or in large urban agglomerations. As a rural and semirural area, the Northeast is also disadvantaged in terms of salaries because proportionally it contains fewer upper-level managers. They usually work in central agencies (in public employment) or head offices (in private sector employment), which are most often found in major urban centres.

This also explains the rarity of dynamic industries in Northeast New Brunswick, which account for only 13.4 percent of the labour force and bring in only 15.3 percent of employment income. For the province as a whole, these industries provide 20.2 percent of jobs and generate 24.6 percent of employment income. Dynamic services are strategically important for regional economic adaptation; however, they tend to cluster in large population centres, where the head offices of large firms are located and where highly qualified labour and complementary services are available. These services (e.g., administrative, banking, managerial, and research services) provide access to information and opportunities to make personal contacts. It is not surprising, therefore, to find a smaller proportion of “dynamic” jobs in the Northeast.

To sum up, as regards the public sector and the dynamic industries, Northeast New Brunswick is disadvantaged in two ways: its economy includes proportionally fewer jobs in these sectors, and these jobs generate a level of income that is low relative to the province and to the Maritimes as a whole. When all is said and done, these gaps stem from structural differences between the Northeast and the rest of the Maritimes.

It may be worthwhile to pause here and point out that this portrait of the Northeast may have obscured the fact that the region is composed of four unique subregions that are distinctive for several reasons — their geographic positions, their natural resources, their populations, and their linguistic and cultural characteristics. Furthermore, each is recognized as a separate entity and is served by its own regional economic development commission.

Of the four subregions, the Acadian Peninsula is the weakest, dragging down the relative position of the Northeast in several ways. By contrast, from a structural point of view the Chaleur and Miramichi

subregions have kept pace with the rest of the Maritimes in employment, and the shortfall in employment income is, for all practical purposes, insignificant. They do, however, lag behind in government services, particularly the Miramichi, and in dynamic services. Still, their strong base in the resource sector, especially forestry and mining, help to offset this imbalance. The subregion served by the Restigouche Industrial Commission is another matter. Although the Restigouche is not structurally backward in employment, it does suffer a significant deficit in employment income — a deficit that is attributable to a weakness in dynamic services. Like its neighbours, it also displays a marked structural deficit in government services, but it makes up some of that ground in the area of health and social services.

The profile of the Acadian Peninsula is completely different from those of the other subregions. The Peninsula's economic structure is unfavourable in practically all sectors, with the exception of primary fishing, mining, and construction. In the fishing industry, the Peninsula enjoys a relatively good position in comparison with the Maritimes as a whole. The same cannot be said, however, for fish processing. On a proportional basis, this sector employs more workers on the Peninsula than any other, but the work is only short-term and the wages are low. The region's manufacturing sector is not sufficiently diversified (70 percent of manufacturing jobs are tied to the fish-processing sector) and does not include enough construction. To strengthen its position, it needs to increase the added value on its existing products and diversify into new products. Manufacturing is clearly a very weak link in the Peninsula economy, which is in critical condition and is dragging down the relative performance of the entire Northeast.

Many of the structural deficiencies evident in the economic activity of Northeast New Brunswick can be traced to the highly seasonal nature of its economy. Indeed, 32 percent of the region's labour force (45 percent on the Acadian Peninsula) is seasonally employed as compared with 17.6 percent in the Maritimes and 19.8 percent in New Brunswick. A third of the labour force is therefore underemployed and, as a result, only generates 18 percent of the region's total employment income. This is the highest proportion of seasonal workers in the eleven Maritime economic regions. What is more, the problem of seasonal work is growing as a result of resource scarcity and the modernization of management and production systems undertaken by industry to increase its competitiveness.

The labour market in Northeast New Brunswick has experienced considerable growth since the early 1980s. A growing proportion of adults are entering the labour market: from the early 1980's level of 41 percent, the employment rate (e.g., the active population as a percentage of the total population) increased to 47 percent in 1997. The labour market has come to be dominated by an ageing population, with adults as a group increasing by 23,000 (18.3 percent). There has also been a massive influx of women into the work force. On the other hand, the number of the unemployed has grown sharply — from 8,000 to 14,000, an increase of 75 percent.

However, since the beginning of the 1990s, the economy of the Northeast has slowed dramatically. Census data reveal that from 1991 to 1996, the region's labour force shrank by 1,475 workers, i.e., a decline of 1.9 percent. Elsewhere in New Brunswick the active population increased by 3.2 percent. The closure of Canadian Forces Base Miramichi, employment reductions in the mining and paper industries, and the moratorium in the groundfish fishery are largely responsible for this decline in employment. In addition, the reduction of work in the resource-based industries and job cuts in the public service have considerably reduced regional purchasing power, thereby damaging the retail and construction sectors. To this already precarious situation was added a new constraint — the reform of unemployment insurance. The loss in UIC benefits for the Northeast region is considerable, amounting to more than \$100 million a year. Even so, the region still remains extremely dependent on transfer payments. The index of economic dependence (i.e., the proportion of UIC benefits relative to employment income) is more than twice as high in the Northeast as elsewhere in the province (15.7 percent versus 6.1 percent). In this regard, the Acadian Peninsula leads by far, with a rate of 27.2 percent.

To counter this rather bleak situation, the regional economy has taken some important steps towards greater diversification. The region now depends somewhat less on the exploitation and processing of resources: the share of employment in these sectors dropped from 33 percent in 1981 to 26.8 percent in 1996. The new jobs that have been created are principally in the public sector, particularly in the 1980s. Primary activities, construction, and the commercial, financial, and personal services sectors have also registered their share of increases.

As regards educational levels, Northeast New Brunswick still has much catching up to do: more than a third of its labour force has not finished high school. Here, subregional differences are particularly pronounced. In the Chaleur and Miramichi subregions, there is roughly the same proportion of undereducated workers (i.e., less than grade 12) as in the province as a whole. The Restigouche subregion is also respectable: it is slightly above the provincial average. On the Acadian Peninsula, however, the picture is grim, with a proportion of 41.6 percent of workers who have not graduated from high school.

The Northeast's highly educated labour force measures up better against the provincial average: 12.5 percent of its workers have obtained a university degree (bachelor's or higher), as compared with 15.9 percent for New Brunswick as a whole. Given the rampant emigration from the region, this gap is reasonable.

■ The Challenges

The educational level of the population of Northeast New Brunswick, particularly on the Acadian Peninsula, is relatively low. This is a major constraint in adapting the labour force to new kinds of jobs — jobs that are often highly technical or require a high level of knowledge. The obvious way to improve educational standards is by tackling the problem of school dropouts and by promoting the retraining of seasonal workers. Vocational training should also be stressed so as to respond more adequately to the needs of firms in the region. In order to diversify, the economy of the Northeast must attract young university graduates, but a job-entry structure has to be established to help ease their transition into the labour market.

Another imposing challenge is reducing the degree of dependence on unemployment insurance. Unemployment is a way of life in the region and a serious obstacle to the economy's ability to adapt. The problem is not unique to Northeast New Brunswick, but it has reached epidemic proportions there, especially on the Acadian Peninsula. There more than elsewhere, unemployment insurance has become a major source of income, and work is often regarded as little more than the way to gain access to it. This attitude has engendered an unhealthy psychology among workers and eroded their interest and productivity. The problem contributes to school dropouts, has fuelled the growth of an underground economy, and has undermined the region's capacity to adapt to the new economy.

Urbanization is another factor that would contribute to the economic adjustment of the Northeast. As we have seen, the urban centres in the region have difficulty maintaining their populations and even more difficulty increasing them. Development, it should be remembered, does not take place in a vacuum. Certain elements (economic players, consumers, research centres, specialized infrastructures, etc.) have to come together under the right conditions for development to take place, and rural areas are not a likely setting for this to happen. Consequently, promoters of economic development and elected officials will have to work together in urban areas to create the right environment for the development of industry, commerce, and technology. Of course, this should not involve favouring one urban centre over another but rather a better defining of roles and specializing in areas that best suit the strengths and advantages of the various candidates. Moreover, it is in the interests of the different urban centres and municipalities to establish networks, because networks open the door to a wider world of common interests and activities. To effect these changes will require regional leadership from players in both the economy and the relevant institutions.

Research and development is another major challenge for New Brunswick's Northeast. For a long time, R & D was carried out by only a few large firms (in mining and papermaking); however, over the past several years there seems to be a nucleus of research centres emerging, supported partly by firms but especially by governments. At present, R & D in the region is only in the embryonic stage of development. As for the diffusion of information and technologies, it is occurring very slowly in small- and medium-sized businesses, either because of a lack of specialized personnel or because employees are not being trained. The problem for these businesses, therefore, is to acquire the advanced technologies and tools and the highly specialized personnel they need to stay competitive.

Another dimension of the process of economic adaptation in the Northeast that should be considered is the reform of unemployment insurance. Although reforming the system was long overdue, its implementation in the regions highly dependent on seasonal employment has been painful. The income losses that have resulted from the reform in the Northeast have significantly reduced purchasing power and have weakened the retail, residential construction, and personal services sectors. The consequences have been especially harsh for an economy that is already a hostage to the problem

of seasonal employment. It is therefore important that the federal government devise some form of compensation for the regions hardest hit by the reform. One possible solution is if Ottawa reinvested in the regions a substantial part of the unemployment payments it withholds. The funds would, of course, have to be used in a productive manner with a view to improving the adaptive capacity of the affected economies.

In order to make the best use of the region's human and material resources, it will be necessary to change attitudes and perceptions. For example, a positive but realistic image of the Northeast must be instilled in its residents before an economic recovery can happen. The three economic conferences that were held in the region over the last few years have indicated the extent of the challenges presented by each of the subregions. Some areas of special concern are education and training, R & D and innovation, access to risk capital, coordination of development efforts, and partnerships and regional consultation (between rural and more urbanized regions). The capacity for action by regional players must also be improved, economic productivity and added value must be increased, the efficiency and mobility of the workforce must be augmented, and the creation of small- and medium-sized businesses in new sectors must be promoted.

It is up to local and regional players to chart their own development path. Better than qualified outsiders, they can identify the social and economic issues peculiar to the region. The obligation of governments in this process is to provide a framework for grassroots initiatives and to support their growth. In order to take advantage of the natural, human, and material resources of each of the subregions, there must be a commitment to the principles of partnership — (1) partnership at the community and regional levels that is aimed at forging common interests and concerns, coordinating action, establishing skills-based networks, supporting entrepreneurship, and so on and (2) partnership between the state and the region that is based on equality and cooperation. Partnership challenges the two levels of government, provincial and federal, to coordinate their support to the region through a cooperative approach to development. Such an arrangement is not easily established, but it is a realistic option that does not necessarily require a large investment. Sometimes only changes in attitude or a regional affirmation is needed. The regional socio-economic summits held recently in Northeast New Brunswick are a tangible sign of movement in this direction. But summits are

only a means to an end, and emphasis must continue to be placed on nourishing the collective spirit, widening the leadership base, and building a positive image of the community and the region. Although economic diversification has been a priority of the provincial government for several years (witness Action North and the Gaudet Commission), the initiatives have yet to produce significant change or reverse the economic decline. But it would be unfair to hold governments solely responsible for this situation. The region's private sector also has an important role to play in the process of economic adaptation. It is local entrepreneurs, large and small, who must take the lead in realizing the region's potential. However, until a genuine partnership between the communities, the state, and the region emerges, it will be necessary to adjust expectations to suit reality. Development, after all, is a long-term exercise, and patience is as important to the success of the enterprise as qualities like vision, energy, and commitment.

■ Appendix : People Consulted

Ms. Devota Appleby, Director of Education
School District 16

Mr. Raymond Arsenault, Executive Director
Chaleur Development and Entrepreneurship Centre Inc.

Mr. Dan Arseneau, President and Chief Executive Officer
Restigouche Health Services Corporation

Mr. John S. Ball, General Manager
OVATEK

Mr. Rajiv Batra, Chief Executive (Operations)
Atlantic Yarns Inc.

Mr. Rupert Bernard, Mayor
City of Miramichi and
Chairman, Sky Park Miramichi Inc.

Mr. Daryl P. Black, General Manager
Miramichi Region Development Corporation Inc.

Hon. Edmond P. Blanchard, Minister of Finance
New Brunswick Department of Finance

Mr. James L. Blanchard, Mayor
Town of Dalhousie

Mr. Lucien Boudreault, Development Officer
Bathurst District Office
ACOA

Mr. Frank Branch, General Manager
North Shore Forest Products Marketing Board

Mr. Guy Breau, Senior Account Manager
AtlantiCom Inc.

Mr. Leon Bremner
Bremner Farms Ltd.

Mr. Normand Brunelle, Manager
NBCC Bathurst

Mr. Wayne G. Carpenter, Economic Development Officer
Miramichi Region Development Corporation Inc.

Mr. Jack C. Christie, General Manager
Northumberland Co-operative Dairy Limited

Mr. Daniel Comeau, Manager
NBCC Campbellton

Mr. Gerry Costello, President
Applied Courseware Technology Inc.

Mr. Keith Coughlan, Executive Director
School Districts 7 and 9

Mr. Tim Dedam, Manager
Economic Development & Tourism
Osprey Commercial Park

Mr. Robert D. DeGrace, General Manager/Owner
Danny's Best Western

Mr. Peter Demarsh, Manager
New Brunswick Federation of Woodlot Owners

Mr. Guy Desgagnés, General Manager
Port of Belledune

Mr. Melvin Doiron, Training and Cooperative
Development Advisor
Conseil acadien de la coopération

Mr. Fernand G. Dubé, Mayor
City of Campbellton

Ms. Roberta Dugas, Mayor
Town of Caraquet

Ms. Ruby Dunn, General Manager
Northumberland County Forest Products Marketing Board

Mr. Murray Etheridge, Vice President
Silver Fox Developments

Mr. Andy Flanagan, Mayor
Village of Belledune

Mr. Michel Guitard, Executive Director
Restigouche Community Futures Development Corporation

Mr. Raymond A. H. Haché, Mayor
Town of Shippagan

Mr. Gérard Hall, President and General Manager
MEGA Blue

Mr. André Isabelle, President and Executive Director
Heritage Flooring
President, Profor Kedgwick

Mr. Jean-Daniel Lanctin, Investment Funds Representative
Lanctin, Lemieux & Assoc.

Mr. Armand Landry, Proprietor
A.L.P.A. Equipment Ltd.

Mr. Charles-Édouard Landry, Executive Director
Regional Development Corporation

Mr. Denis Landry, Deputy
Centre-Peninsula

Ms. Jolène LeBlanc, Assistant Deputy Minister
Administration and Finance
New Brunswick Department of Education

Mr. Samuel LeBreton, Senior Economist
New Brunswick Department of Human Resources

Mr. Richard Leduc, General Manager
Chaleur Regional Development Corporation Inc.

Mr. Jacques Léger, Coordinator
Concertation rurale Centre-Péninsule Inc.

Ms. Betty-Ann Levesque, General Manager
Restigouche Regional Economic Development Commission Inc.

Mr. Raymond A. Losier, Mayor
Town of Tracadie-Sheila

Mr. Bruce N. MacIntosh, Project Executive, Investment
New Brunswick Department of Economic Development,
Tourism and Culture

Mr. Gilles Ménard, Vice President
Planning and Cooperative Affairs
Fédération des caisses populaires acadiennes Ltée

Mr. Les Murray, Manager
Miratech Inc.

Mr. Yvon Normandeau, General Manager
Economic Expansion Commission of the Peninsula Inc.

Mr. Paul Ouellette, Mayor
City of Bathurst

Mr. Oscar Paulin, Officer
Regional Development Corporation (RDC)

Mr. Réginald Paulin, Mayor
Town of Lamèque and
Chairman, Association des municipalités du N.-B.

Ms. Sadie Perron, Vice President
Regional Development Corporation (RDC)

Mr. Conrad Pichette, President and Chief Executive Officer
Nor'East Health Network (Corporation # 6)

Mr. Hal Raper, President
Greater Miramichi Chamber of Commerce

Ms. Paulette Robert, Executive Director
Peninsula Community Futures Development Corporation

Mr. Norbert Sivret, President
Forum des maires de la Péninsule acadienne

Mr. Charles Thomas, President
Restigouche River Outfitters

Mr. Grant Thornton, Chartered Accountant
Grant Thornton International

Mr. James Turgeon, Director of Fiscal, Economic
and Statistical Policy
New Brunswick Department of Finance

Mr. John Van Horne, Proprietor
JVH Market & Design Digital Services

Mr. David Walsh, Director of Product Development
SAPIENCE Educational Systems Inc.

Mr. Garry Yaraskavitch, Mill Operations Director
Eagle Forest Products

