

## **Laissez-faire Manufacturing: The Re-development of Rural Ontario**

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### *Introduction*

Manufacturing and agricultural production are natural allies, and so it ought to be in Ontario. It is time the near exclusive focus on sustaining family farms in rural economies is replaced by a new, hybrid economic model allowing the substantial wealth creation capacities of manufacturing to take its place alongside crop, livestock, dairy, egg and other kinds of agriculture.<sup>2</sup> Indeed, agriculture cannot be the exclusive foundation of rural economies; not if decent standards of livings are to be realized for the future. Relatively easy and straightforward manufacturing placements should be an acceptable option for rural county councils, their bureaucracies, key constituencies, and senior levels of government, particularly the Government of Ontario. Indeed, manufacturing placements in aid of wealth creation and employment ought to become a primary objective of these county councils, adjacent urban communities inside rural counties and for the Province. These placements must enjoy considerably fewer encumbrances by local

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<sup>2</sup> The term “rural” is defined broadly to include the idea of “peripheral regions” along the lines adopted by Mario Polese, Richard Shearmur et al., *The Periphery in the Knowledge Economy: The Spatial Dynamics of the Canadian Economy the Future of Non-Metropolitan Regions in Quebec and the Atlantic Provinces*, Institut National de la Recherche Scientifique, 2002, p. 5. A peripheral region is defined by the authors in relation to two criteria: size and distance i.e. a non-metropolitan area distant from metropolitan areas, and so a peripheral region is one hour’s driving distance (60 miles) from, for example, the Greater Toronto Area or Ottawa. In this paper, such peripheral or “rural” regions include South-Central Ontario and Southwestern Ontario. Although others will differ – and indeed do differ, particularly economists parked inside of federal and provincial governing agencies – South-Central Ontario shall be defined as including: Brant, Peel, Halton, Hamilton, Dufferin, Wellington, Norfolk, Haldimand, Niagara and perhaps the Waterloo Region east of Kitchener-Waterloo including Cambridge. Southwestern Ontario shall be defined as Oxford, the Waterloo region west of and including Kitchener-Waterloo, Middlesex, Elgin, south Lambton, Chatham-Kent, and Essex Counties. For current purposes, Huron, Bruce, Grey and Perth counties shall be included in the Southwestern Ontario region. Normally, these counties are referred to by locals as inhabiting “Western” or “mid-Western Ontario.” The author grew up in Goderich, the county seat of Huron.

and provincial regulation, zoning laws, county official plans, and inapposite economic development “strategies” and policies. The solution for wealth creation in rural Ontario is the willing acceptance of *laissez-faire manufacturing*.<sup>3</sup>

### *The Status of Manufacturing in Ontario*

Manufacturing tends to be a leading sector. It leads when economies start to go into recession, and so does it also lead when those same economies remediate, grow, and come out of the bottom of economic troughs – a lesson too many folks in elected office, the news media and the profession of economic development have not apparently learned. Prior to and during to the recession of 2008-09, the number of manufacturing plants and associated employment receded, worrisomely so in Ontario. In fact, in Ontario, manufacturing sales dropped almost 24% before and during the recession (from the beginning of 2007 to the end of 2009).<sup>4</sup> Kelly O’Brien, principal of EDP Consulting in Toronto, found for the period 1990 to 2008 the overall percentage of the labour force represented by manufacturing in Ontario declined from 19.1% to 13.5% representing a loss of 198,600 jobs.<sup>5</sup> However, in contrast to the provincial pattern, she found something more than a little interesting for the rural counties of the South Central Ontario Region (SCOR: Brant, Elgin, Middlesex Norfolk, and Oxford counties). While from 1990 to 2008, manufacturing as a proportion of the entire labour force in the region dropped from 24% to “under 15%,” nonetheless, manufacturing as a proportion of the Ontario economy in this rural region was higher than the province as a whole.<sup>6</sup> Further, she found :

The communities in the SCOR area with the highest number of

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<sup>3</sup> “Laissez-faire manufacturing” is defined as reasonably unregulated manufacturing placements inside political jurisdictions, notably in this case, in relation to land use policies in rural areas. In Ontario this specifically means the relaxation of current stringent rules under county Official Plans, and a pulling back of the anti-manufacturing under Provincial Policy Statement on land use by the Province of Ontario. For a more general treatment of laissez-faire policies, see Deepak Lal, *Reviving the Invisible Hand: The Case for Classical Liberalism in the Twentieth Century*, Princeton N.J.: Princeton University Press, 2006.

<sup>4</sup> Statistics Canada, Manufacturing Sales, by subsector, by province and territory (Ontario), dated Aug. 16, 2012, [www.statcan.gc.ca/tables-tableaux/sum-som/101/cst101/manuf33g-eng.htm](http://www.statcan.gc.ca/tables-tableaux/sum-som/101/cst101/manuf33g-eng.htm).

<sup>5</sup> Kelly O’Brien, EDP Consulting, “SCOR Manufacturing Sector Review,” prepared for the South Central Ontario Region Working Committee, March 2009, Table 1, p. 3.

<sup>6</sup> Loc. cit.

manufacturing jobs in 2001 and 2006 include[d] St. Thomas, Woodstock, Brant, Tillsonburg and Ingersoll. ... While significant declines occurred between 2001 and 2006 in Brant, there were also equally significant increases in St. Thomas and Ingersoll. ...

The number of manufacturing jobs in the SCOR area in 2006 was around 29,000, which represent[ed] a growth rate of about 3.5% or 990 jobs from 2001. This may be compared to a decline of 9.1% for the province overall during the same time period. ... The location quotient for manufacturing in the SCOR area for 2006 was 1.6, which was higher than the provincial average.<sup>7</sup>

As Ontarians struggled out of the great recession of 2008-09, the provincial economy was surprisingly aided by the manufacturing sector. While, manufacturing declined in terms of the total number of employers and total employment in South-Central Ontario; indeed, the decline was close to 10% for employers and an astonishing 25% for employment from 2008 to 2011 (2346 employers to 2114, and 76,370 in employment to 57,486); however, the total number employed in manufacturing in this region significantly exceeded employment in all other sectors -- including the so-called “creative economy” sector -- which was ranked 11<sup>th</sup> (professional, scientific & technical services, 15,792).<sup>8</sup> The manufacturing sector was top-ranked in South-Central Ontario and other rural regions Western and Southwestern Ontario (See Table 5).

Since the recession, the success of manufacturing has grown. In June 2012, Statistics Canada reported a year-over-year growth of 6,600 manufacturing jobs in Canada.<sup>9</sup> Moreover, in Southwestern Ontario – the region worst hit by the recession – wage increases of 2% on average have been reported for

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<sup>7</sup> Ibid. pp. 8-10.

<sup>8</sup> Workforce Planning Board of Grand Erie, “Industry and Employment Analysis – the SCOR Region,” Oct. 4, 2012, p. 18

<sup>9</sup> Hank Daniszewski, “Manufacturing, retail drive job growth,” *London Free Press*, Aug. 10, 2012.

workers in the manufacturing sector during the same period.<sup>10</sup> More than 200 workers from the shuttered St. Thomas Ford plant were offered jobs at Ford's Oakville plant at the end of 2012.<sup>11</sup> The Conference Board of Canada reported in December 2012 that auto parts plants in Canada – obviously mainly in Ontario – posted record production for the year, up more than 20%, and prospects are strong for 2013 -- as car sales are booming across North America.<sup>12</sup> And, in rural Southwestern Ontario, GM announced in March 2013 an investment an additional \$250 million in order to “re-tool the CAMI auto assembly plant in Ingersoll.”<sup>13</sup>

This record on manufacturing growth in the post-recession period effectively cools the hot air expressed by so many on the putative manufacturing malaise in Ontario -- particularly rural Ontario. Even in the auto sector, when a Ford plant goes down in St. Thomas, a CAMI plant expands in Ingersoll and a Toyota plant is built in Woodstock. Nobody claims there were no significant job losses and the removal of production activity in the manufacturing sector during the cyclical decline, it is just that too few are recognizing the resilience of manufacturing coming out of this cycles. Indeed, too many “creative economy” types are happy to celebrate the premature demise of manufacturing.<sup>14</sup> Inevitably, job and production growth bounce back.

### *The Historical Record on Manufacturing ... and Agriculture*

For a very long time economists and other scholars have concluded that manufacturing is the fount of the most productive wealth creation in advancing economies. Well before Adam Smith's famous

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<sup>10</sup> Norman DeBono, “Signs of improvement in the sector,” *London Free Press*, Oct. 12, 2012.

<sup>11</sup> Norman DeBono, “Workers from shuttered St. Thomas Ford plant offered new jobs at Ford's Oakville operation,” *London Free Press*, Nov. 28, 2012.

<sup>12</sup> Conference Board of Canada, News Release, “Record One-Year Growth Expected for Auto Parts Industry in 2012,” Dec. 6, 2012.

<sup>13</sup> Dana Flavelle, “GM to invest \$250 million retooling CAMI plant in Ingersoll,” *Toronto Star*, Mar. 8, 2013.

<sup>14</sup> The entirely bogus Richard Florida thesis on the “rise of the creativity class” and the “creative economy” draws gullible economic developers into its black hole of disinformation and shoddy analysis. Indeed, sadly, whole university faculties and “leading” academics – specifically at UofT's Rotman Business School and the Queen's School of Business have fallen under the spell of Florida's wizardry, or should we say marketing genius. See Kimble F. Ainslie, *Manufacturing Matters: A Critique of Ontario in the Creative Age Report*, Nordex Research, June 2009; Andrew Potter, “What would you pay for a map with no roads?”, *Macleans.ca*, Feb. 19, 2009, and Alec MacGillis, “The Rise of the Creative Class,” *The American Prospect*, Jan. 4, 2010.

essay on the four stages of economic development ending with commerce and industry, Englishman John Hales in the 16<sup>th</sup> century and Italian Antonio Serra in the 17<sup>th</sup> century described in detail the central benefits of manufacturing. Recently, economist Erik Reinert has reminded us of their insights:

The growth of manufacturing activities [breaks] the vicious circles of diminishing returns [which so foundationally describes agriculture], creating what ... for a long time [is] the exclusive privilege of cities: *increasing returns*. ... Increasing returns means that as production expands -- even without technical change -- the cost of production per unit falls. Antonio Serra (1613) formulates the recipe for a wealthy state as consisting of increasing returns combined with a large division of labour ... . England's story is the prototype of how a country goes from poor to rich. It was ... policy before it became [a] written theory, but even in 1581 author John Hales understood the importance of the manufacturing multiplier for national wealth. ... Under conditions of falling costs with increasing output -- what we have called increasing returns or economies of scale -- a large population was no longer seen as a problem, [for 16<sup>th</sup> or 17<sup>th</sup> century economists.] On the contrary, economies of scale in production and division of labour among all the new crafts made a large population a condition of economic growth.<sup>15</sup>

Indeed, Reinert, a left-wing, pro-mercantilist, development economist educated at Cornell, further points out:

For Europe's poor nations it became clear that there was an important connection between the *production structure* of the few wealthy city-states and their riches. The wealthiest city states --

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<sup>15</sup> Erik S. Reinert, *How Rich Countries Got Rich and Why Poor Countries Stay Poor*, New York: Public Affairs (Perseus Books), 2008, pp. 74-75.

Venice and those in Holland – had dominant market power ... . Both had very large and diversified manufacturing and craft sectors. In the early 1500s manufacturing represented about 30 per cent of all employment in Holland. Venice had 40,000 men employed in the shipyards alone. ... Wealth had been created and maintained behind huge barriers to entry created by superior knowledge, by possessing a large variety of manufacturing activities that created systemic synergies, by market power, low costs created through innovations and increasing returns. ... This was the essence of the mercantilist project in Europe.<sup>16</sup>

Reinert has also made salient the earmarks of for failing economies in 16<sup>th</sup> century Europe – the period of Europe’s first phase of industrialization. Spain’s economy was captured by the riches of minerals, mainly gold, in its Latin American colonies, which “led to the de-industrialization of the country” -- an early example of “Dutch Disease” writ large. Reinert says:

At the same time, [the] nobility owning land were exempt from paying most taxes, so the tax burden fell increasingly on artisans and manufacturers. Their competitiveness was, on the other hand, already being squeezed by the rapid rise of prices of agricultural goods in Spain. This undid the synergies and division of labour in Spanish cities, causing a de-industrialization from which Spain only finally recovered in the nineteenth century. Successful states protected manufacturing industry, unsuccessful Spain protected agriculture to the extent it killed manufacturing.<sup>17</sup>

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<sup>16</sup> Ibid. pp. 78-79. See also Gustav Schmoller, *The Mercantilist System and Its Historical Significance*, New York: Macmillan/Kelley, 1967 (originally 1897).

<sup>17</sup> Ibid. p. 84.

And so we have come to the link between *agriculture and manufacturing*, with the continuing assistance of Reinert.

Even in the 1700s the connection between closeness to industry and an efficient and lucrative agriculture was obvious to anyone who cared enough to enquire. Madrid and Naples had very inefficient agriculture because they had no industry. The areas around Milan, with a lot of industry, had efficient agriculture, the economist of the Enlightenment observed. *Proximity to industry creates cumulative virtuous circles with agriculture*, (my emphasis) an effect that agriculture in poor countries without industry does not receive. Agriculture that does not share the same labour market with a manufacturing sector will not experience these synergies. ... Only industrialization can create an effective agriculture sector. In fact, all the world's failed states share the fact that they experience frequent problems of food supply and have weak industrial sectors. Today, we study failed states and famines as if they were entirely distinct phenomena, divorced from an economic structure, whereas in reality they are complementary effects of the same basic set of problems.<sup>18</sup>

#### *The Great Debate: Manufacturing and Services and Agriculture*

The synergy that Reinert observes between agriculture and manufacturing has already been noted by the most astute scholars and political authorities on the integrated roles of manufacturing *and the service sector*. Indeed, there is another lesson for us here in the dubious claims of those who have popularized the notion of a “post-industrial society” and their cousins, the crowd that perpetuates the myth of the “creative class” and “creative economies.” Daniel Bell and others held that manufacturing

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<sup>18</sup> Ibid. pp. 136 and 158.

and industry matter less and less because the “service economy” eclipses the contribution manufacturing makes to GDP and wage gains found in developed economies.<sup>19</sup> Similarly, Richard Florida and his kin hold that manufacturing has deleterious effects on growth, and that inner-city professionals, bohemians and the concentrated presence of homosexuals are the key to expanding economies.<sup>20</sup> However, we have come to learn that precisely the opposite is the case. The most recent suggestion correcting the “myth of the post-industrial society” and “creative economies” comes from none other than the progressive end of American politics and academia -- as well as prominent American multinationals. President Barack Obama brought together a consortium of academics and industrialists in his first term, notably “technopole” universities such as MIT, Carnegie-Mellon, Georgia Institute of Technology, Stanford, UC at Berkeley, and the University of Michigan, and large corporations such as Caterpillar, Corning, Dow Chemical, Ford, Honeywell, Intel, Johnson & Johnson, Northrup Grumman, and Proctor & Gamble to form a Presidential advisory group known as the Advanced Manufacturing Partnership. AMP was assigned in 2011 to find ways to “build manufacturing capabilities, reduce the time taken to develop and deploy advanced materials, make investments in next-generation robotics, and develop innovative energy-efficient manufacturing processes.”<sup>21</sup> AMP built upon a report by Obama’s Council of Advisors on Science and Technology, “a group of leading scientists and engineers” that similarly made a strong case for advancing the “current state of U.S. manufacturing.”<sup>22</sup> Following on these initiatives in 2012 MIT resurrected an effort to focus on manufacturing, a two-year research project called *Production in the Innovation Economy*, a variation on a thirty year old project called the “MIT Commission on Industrial Productivity.”<sup>23</sup> Moreover, The Boston Consulting Group released a report arguing that a “manufacturing renaissance” was prospectively at America’s door given China’s economic slow-down, the fact that

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<sup>19</sup> See Daniel Bell, *The Coming of Post-Industrial Society*, New York: Basic Books, 1973.

<sup>20</sup> See Richard Florida, *The Rise of the Creative Class*, New York: Basic Books, 2002.

<sup>21</sup> Office of the Press Secretary, The White House, “President Obama Launches Advanced Manufacturing Partnership,” June 24, 2011.

<sup>22</sup> Executive Office of the President, President’s Council of Advisors on Science and Technology, *Report to the President on Ensuring American Leadership in Advanced Manufacturing*, June 2011.

<sup>23</sup> Peter Dizkes, MIT News Office, “MIT sees promise in American manufacturing,” January 26, 2012.

China's cost advantage was receding, and the advent of "re-sourcing" of manufacturing back the United States and North America. BCG consultants said:

When all costs are taken into account, certain U.S. states, such as South Carolina, Alabama, and Tennessee, will turn out to be among the least expensive production sites in the industrialized world. As a result, we expect companies to be building more capacity in the U.S. to supply North America.<sup>24</sup>

However, the project that really made a difference on coming to grips with the reality of manufacturing capacity in North America was led by Stephen Cohen and John Zysman at the Berkeley Roundtable on the International Economy at the University of California at Berkeley in the late 1980s.

Cohen and Zysman, again no advocates of the right wing and classical economics, quite the opposite, offered the most complete case on the importance of manufacturing, particularly in relation to the service sector. And while others continue to make the case, notably current advocates of "smart manufacturing," Cohen and Zysman have argued and offered considerable evidence pointing out that instead of manufacturing being the poor and weak sister of the service economy, the contrary is true.<sup>25</sup> Setting aside the low productivity and modest economic benefits of the personal services firms and some business services, it is manufacturing firms that generate the demand for a large proportion of services in the economy and thus they support service businesses as spin-off beneficiaries of industrialization. The most salient example such a service sector is "distribution and warehousing." Even though Statistics Canada, for example, reports this sector as a stand-alone service business, it is no such thing: distribution and warehousing is a direct upstream and downstream facilitator of manufacturing. If manufacturing did not exist or declined, this sector and many others would be made worse off because their customers and clients would dry up. Government policies, including StatsCan references tagging distribution and

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<sup>24</sup> Harold Sirkin, Michael Zinser, and Douglas Hohner, "Made in America, Again – Why Manufacturing Will Return to the U.S." The Boston Consulting Group, August 2011.

<sup>25</sup> See Stephen Cohen and John Zysman, *Manufacturing Matters: The Myth of the Post-Industrial Economy*, New York: Basic Books, 1987.

warehousing as members of the service sector quite literally miscount what manufacturing represents. They ignore or deflect the importance of manufacturing as a core engine of economic growth.

The more studious and sensible approach taken by Cohen and Zysman involves the following:

The division of labor has become infinitely more elaborate, the production process far more indirect, involving more and more specialized inputs of services ... . But the key generator of wealth for the expanded and differentiated division of labor remains mastery and control of production. ... [A]n economy as vast as that of the United States cannot be fit into a niche. Our labor force may well be located in services. Yet as we have seen, the jobs of many, and the income levels of almost all, depend upon American mastery and control of production [manufacturing]. ... *The transition we are experiencing is not out of industry into service, but from one kind of industrial society to another.*<sup>26</sup> (emphasis mine)

Cohen and Zysman develop their argument by pointing out a few more realities. Even though agricultural employment shrunk precipitously after the turn of the 20<sup>th</sup> century, no one can seriously argue that agriculture as an economic function has failed. While employment may have dropped to the single digits, economies of scale on American farms has risen dramatically. Technology has come to the aid of agriculture; its costs continuously decline and farm profits rise on larger and larger and yes more “corporate” undertakings. Agriculture has been “saved” by automation, the authors argue.<sup>27</sup> Moreover, the authors ask: what would have happened if American agriculture had not automated and all or most of agriculture produce was obtained off-shore? Surely all the attendant “services” to agriculture including manufacturing would have shuttered or not developed. The authors offer the following:

A modern farmer is really the point man in a long elaborate chain of specialists – most of whom don’t often set foot on the farm – all of

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<sup>26</sup> Cohen and Zysman, p. 260.

<sup>27</sup> Ibid. p. 13.

whom are vital to its successful operation and directly depend on it.<sup>28</sup>

The implements manufacturer, the implements dealers, seed manufacturers, seed dealers, food processing companies, the veterinary profession, and even government bureaucrats (advisors, technicians and cheque writers) are essential, the list goes on and on. There are legions upstream and downstream businesses, backward and forward linkages, as economists use the terms. “Agri-businesses” are fully dependent on an automated, productive farm sector, small though the original corps of farmers may be that sustains the sector.

Similarly, it cannot be forgotten that manufacturing “employment” operates inside the same dynamic; thousands of manufacturers are “serviced” by tens of thousands of companies that are dependent on those manufacturers. And in this context, manufacturing employment numbers can hardly be restricted those working merely on the assembly line. It would be ridiculous to presume, for example, that auto sector employment is the sum total of assembly line jobs when every economic developer on Ontario knows that the Toyota placement in Woodstock Ontario, for example, directly created a demand for auto parts manufacturers in the region, and these companies in turn made demands for engineering and design services, mould shops, good educational facilities, and administrative ancillary services to keep the Toyota parts plants humming along as well as the core assembly plant. The same dynamic is repeated in the same company a few miles down the road in Cambridge, Ontario. Cohen and Zysman estimated that in 1980s America *half to three-quarters of those in the “service” sector were dependent on the manufacturing for their jobs*; at that time anywhere from 40-60 millions workers.<sup>29</sup>

Cohen and Zysman conclude that:

*Services are not a substitute, or successor, for manufacturing; they are a complement. One needs the other. The process of development is not one of sectoral succession, but instead it is one of increased interdependence driven by an ever more extended and complex division*

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<sup>28</sup> Ibid., p. 14.

<sup>29</sup> Ibid., p. 19.

*of labor* (emphasis mine).<sup>30</sup>

The other big and important point of recognition on the reality of manufacturing is the significance of production innovation. And in this regard we shall turn to what Cohen and Zysman refer to as “flexible manufacturing.” Flexible manufacturing was the new paradigm for manufacturing – at least new when our authors were writing in the late 1980s. The “composition of production matters,” they argued, “manufacturing skills trump product design.”<sup>31</sup> In “complex manufacturing processes ... growth moves in spurts, driven by waves of technological development.”<sup>32</sup> The operating model for flexible manufacturing is “dynamic flexibility;” more than just technical buzz words, rather it is a new perspective on how production in manufacturing plant is organized. Eschewing the “Fordism (assembly line engineering) of the past, the new approach “[designs] production lines in a way that they can quickly evolve in response to changes in either product or production technology.”<sup>33</sup> Automation becomes a family of technologies that lie at the intersection of computer science and manufacturing engineering. Production lines are “programmable.” “Programmable” means production lines “can be switched from one task to another with relative ease by changing ... automated instructions.”<sup>34</sup> Programmable automation permits a machine to perform a range of tasks; ... a single arrangement of equipment to produce a variety of components or to assemble a variety of products. “Economies of scope” are gained not in the volume of production of a single good, but in the volume of production of a set of goods.<sup>35</sup>

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<sup>30</sup> Ibid. p. 49.

<sup>31</sup> For the most recent thinking on “flexible manufacturing” see anything by Neil Gershenfeld, esp. *Fab: the coming revolution on your desktop – from personal computer to personal fabrication*, New York: Basic Books, 2005, and one of the most recent contributions from Hod Lipson, *Fabricated: the New World of 3D Printing*, Indianapolis: John Wiley & Son Inc., 2013. See also an online discussion on CSPAN with Neil Gershenfeld, Robert Atkinson of the Information Technology and Innovation Foundation, Tom Kabil, Deputy Director of the White House Office of Science and Technology, et al., Feb. 7, 2013.

<sup>32</sup> Cohen and Zysman, pp. 104, 121, 119, 105.

<sup>33</sup> Ibid., p. 132.

<sup>34</sup> Ibid., p. 153.

<sup>35</sup> Ibid., p/ 156.

*Whither Agriculture? Whither Rural Development in Canada and Ontario?*

There has been a great deal of worry expressed about the state of agriculture and agricultural economics in the last few years in Canada. Several alarmist reports emerged during of the most recent recession on the economic and demographic state of rural Canada. The Senate Standing Committee on Agriculture and Forestry issued *Beyond Freefall: Halting Rural Poverty* in June 2008; the Federation of Canadian Municipalities (FCM) published: *Wake-Up Call: The National Vision and Voice We Need for Rural Canada*, in May 2009, and Rural Secretariat of the Government of Canada compiled a *Rural Poverty Discussion Paper* later in 2009.

The Senate report called attention to the “stagnant income picture between 2001 and 2006 [as] the number of census farms in Canada fell by 7.1% to 229,373 -- continuing a well established trend that began in the 1930s (sic).”<sup>36</sup> The Senate Committee highlighted the squeeze on “low income farms” and the problem of “off-farm income.”

These are small and medium-sized farms with total annual farm income between \$10,000 and \$99,999 and with total family income of less than \$35,000. [L]ow income farms on average earned \$17,336 in annual income in 2004 thanks entirely to off-farm income ... . In other words, low income farms *lost* money on their farming business. ... [L]arge farm operations are getting larger and more numerous and small and medium-sized farms are getting out of the business.<sup>37</sup>

The FCM hyped the dire conditions presumed to exist in rural Canada beyond even the Senate report. Phrases like: “fighting for their lives,” “rural Canada is in crisis,” “the crisis has been building for

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<sup>36</sup> Final Report of the Standing Senate Committee on Agriculture and Forestry, *Beyond Freefall: Halting Rural Poverty*, June 2008, p. 37. The decline in the number of farms in Canada started well before the 1930s.

<sup>37</sup> *Ibid.*, p. 39-40.

decades,” “rural Canada has dying towns and villages,” were replete in its report; all in aid of making a case for more institutional and political representation on rural issues at the highest levels in Ottawa.<sup>38</sup>

Consulting authors Ausra Burns, David Bruce and Amanda Marlin at the Rural Secretariat tamped down the rhetoric somewhat when they reported for the census years 1991, 1996 and 2001 that “the incidence of low incomes in urban areas rose while it declined in rural areas.”<sup>39</sup> Nonetheless, in 2001, rural poverty was “prevalent in the Maritimes, Newfoundland & Labrador, and Saskatchewan.” Those most likely to be poor in rural areas were: single parents, aboriginals, visible minorities, those with disabilities, young people, immigrants, children and seniors.<sup>40</sup> And the “social determinants” of poverty in rural areas compared to urban areas, they reported, included lower education levels, functional illiteracy computer illiteracy, fewer job opportunities and less access to higher paying jobs. Rural poverty also led to “significant out-migration” to the cities and “shorter life spans.”<sup>41</sup>

Happily, a few years can make a big difference as prices for farmland in Ontario shot up in 2011-12, and commodity prices across the country also rose significantly.<sup>42</sup> And yet the medium-term economic and demographic pictures before this most recent bounce have been more sobering; not quite dire like the Senate and FCM reports, but sobering nonetheless. For Canada as a whole, from 2006 to 2011, the total number of farms has dropped 10%; in Ontario it is close to a 5% decline. Ontario claims the most farms, 25.25% of Canada’s 205,730 farms. Even though Ontario had 51,950 “census farms” in 2011, this number dropped by more than 9% from 2006. As consolidations have occurred, the average farm size has risen by close to 7%. Ontario has more “large farms” since 2006, up almost 6%.

The number of farm operators in Canada declined by 10% from 2006 to 2011 to 293,925. Moreover, the average age of farm operators in Canada and Ontario rose to 54 years in 2011. Worse, the

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<sup>38</sup> Federation of Canadian Municipalities, *Wake-Up Call: The National Vision and Voice We Need for Rural Canada*, May 26, 2009, p. 4.

<sup>39</sup> Ausra Burns, David Bruce and Amanda Marlin, “Rural Poverty Discussion Paper,” for the Rural Secretariat, Government of Canada, Sept. 24, 2009, p. v.

<sup>40</sup> *Ibid.*, p. vi.

<sup>41</sup> *Ibid.*, p. 59.

<sup>42</sup> John Miner, “Area farm prices surge,” *London Free Press*, Sept. 11, 2012, and Statistics Canada, *Snapshot of Canadian Agriculture*, ch. 1, [www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm](http://www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm), date modified: May 23, 2012.

number of farm operators whose average age is less than 35 years declined by 9% from 2006 to 2011. In Ontario in 2001, there were 74,840 farm operators, more than 9% less than in 2006; 28% of whom were women.<sup>43</sup>

Gross farm receipts in Canada rose 3.9% from 2005 to 2010; in Ontario, they “remained stable with a 0.1% increase” in constant 2010 dollars.<sup>44</sup> But, the number of farms with gross farm receipts in the positive column in Canada declined by 10.3% from 2005 to 2010, again in constant 2010 prices. Most of those farms making less money in 2010 were in gross receipts categories under \$499,999, and, of course, the number of farms having more than \$500,000.00 in gross receipts rose significantly.<sup>45</sup> In 2009, the average total operating income per non-corporate (family farm) operator (1.38 operators per farm) i.e. operators on single, unincorporated farms with total operating revenue of \$10,000 or more was \$45,647.

A big issue on farm income dating back at least a decade has been the influence and scope of “off-farm income.” Off-farm income includes employment or self-employment income from off-farm sources; investment income, pension income, welfare payments and other off-farm sources. In 2001, in Canada, off-farm income as percentage of income for all farms was 55% on average incomes of \$46,998.<sup>46</sup> And so for the average farm a majority of income came from off-farm sources. For farm families across Canada in 2008, off-farm income levelled out at 78% of average total income. For “small farms” the average off-income came in at 90% of total income; for medium-size farm it was 71%.<sup>47</sup> And, of this total average income, the average off-farm income was \$35,421.<sup>48</sup> The trend continued for the most recent Statistics Canada data for 2009. In this year, the average percentage of income *for all farms*

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<sup>43</sup> The information in this paragraph can be sourced from Statistics Canada, *Snapshot of Canadian Agriculture*, ch. 1 and 2 [www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm](http://www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm), date modified: May 23, 2012 and July 20, 2012, and [www.statscan.gc.ca/pub/95-640-x/2012002/prov/35-eng.htm](http://www.statscan.gc.ca/pub/95-640-x/2012002/prov/35-eng.htm).

<sup>44</sup> Statistics Canada, *Snapshot of Canadian Agriculture*, ch. 2 [www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm](http://www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm), date modified: July 20, 2012. “Gross farm receipts” = sales of farm commodities + government subsidies and farm insurance plans.

<sup>45</sup> Statistics Canada, *Snapshot of Canadian Agriculture*, ch. 1, [www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm](http://www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm), date modified: May 23, 2012.

<sup>46</sup> Statistics Canada, “Farm and Off-Farm Income Statistics, 2001,” Ministry of Industry, Government of Canada, May 2004, p. 19.

<sup>47</sup> Statistics Canada, “Statistics on Income of Farm Families, 2008,” Ministry of Industry, Government of Canada, July 2011, p. 9.

<sup>48</sup> OMAFRA, “Farm Operators’ Income from Farm and Off-Farm Sources, by Region, 2009,” taken from Statistics Canada data.

from off-farm sources was 54%, and in Ontario it registered significantly higher at 61%.<sup>49</sup> Average operator income and off-farm income for the same kinds of farms varied by region of Ontario. *These figures obviously have prospective significance for this paper, as much off-farm income comes from manufacturing and manufacturing-based support services in rural areas.* See Table 1.

While most farm operators in Canada do not work off the farm (2010), still 47% of operators did off-farm work, about the same as in 2005. More than 11% of female operators and 21% male operators worked more 40 hours per week off the farm in 2010.<sup>50</sup>

In 2010, 37% of all Ontario farm operators worked more than 40 hr [per] week on average ... compared to 43.1% [in 2005]. ... In 2010, 47.8% of all Ontario farm operators had off-farm job[s or businesses] compared to 49.6% in 2005. [Twenty-six point five per cent] of Ontario operators who were under ... 35 ... worked on the farm for more than 40 hours [per] week on average in 2010, compared to 26.8 of operators 35 to 54, and 12.1% of operators over 55 years of age.<sup>51</sup>

Business firms often think about profitability in terms of “gross margins,” the positive gap between revenues from the sale of products or services and the expenses directly attributable to the cost of producing or purchasing those product and services. Operating, administrative or “overhead” costs are excluded from the calculation. And so for the retail sector in Canada, in 2010, the average gross margin for all types of stores was 27.3%. However, when one calculates the “net margin,” i.e. including overhead costs, the figure drops to around 0.5%.<sup>52</sup> By comparison, in 2010, Statistics Canada reported that the average “net margin” (all farm expenses to all farm receipts) for farms in Canada was 17%, up from 14%

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<sup>49</sup> Statistics Canada, “Statistics on Income of Farm Operators, 2009,” Ministry of Industry, Government of Canada, March 2012, p. 17.

<sup>50</sup> Loc. cit.

<sup>51</sup> C.f. Statistics Canada, *Snapshot of Canadian Agriculture*, Ontario data, [www.statscan.gc.ca/pub/95-640-x/2012002/prov/35-eng.htm](http://www.statscan.gc.ca/pub/95-640-x/2012002/prov/35-eng.htm).

<sup>52</sup> Statistics Canada, “Retail Trade, Operating Statistics, by Province and Territory,” [statscan.gc.ca/cgi-bin/sum-som/fl/cstprintflag.cgi](http://statscan.gc.ca/cgi-bin/sum-som/fl/cstprintflag.cgi).

2005.<sup>53</sup> In Ontario, the net margin for farms was 16% for 2010 up from 14% in 2005.<sup>54</sup> Statistics Canada indicates that farm margins tend to rise over time as farm operators choose higher margin crops, and make efficiency gains on their farms.

*Table 1, Farm and Off-Farm Income, Regions of Ontario*

	Farm Income	Off-Farm Income	%, Off-Farm Income
Southern Ontario <sup>55</sup>	\$49,889	\$37,994	76%
Western Ontario <sup>56</sup>	44,105	34,502	78
Central Ontario	43,902	38,869	88
Eastern Ontario	43,899	29,063	66
Northern Ontario	31,720	32,339	102

Source: OMAFRA, “Farm Operators’ Income from Farm and Off-Farm Sources, by Region, 2009,” taken from Statistics Canada data.

*The Demographics of Agriculture and Manufacturing in Southwestern and South-Central Ontario*

Apart from the positive aberrations in Brant and Elgin counties, the populations of a selected list of rural counties in Southwestern and South-Central Ontario are pretty much stagnant. Further exceptions are Huron County and Chatham-Kent, both of which have suffered de-population over the decade, 2001 to 2011. See Table 2.

A couple of observations can be made about demographers and population projections. In almost every report we collected on Southwestern and South-Central rural upper-tier municipalities, demographic “experts” projected optimistic population growth trends into the future. In the land of

<sup>53</sup> Statistics Canada, *Snapshot of Canadian Agriculture*, ch. 2 [www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm](http://www.statscan.gc.ca/pub/95-640-x/2012002/01-eng.htm), date modified: July 20, 2012.

<sup>54</sup> Ibid. Table 9.

<sup>55</sup> Southern Ontario includes: Brant County, Chatham-Kent, Elgin County, Essex County, old Haldimand-Norfolk Region (now Haldimand and Norfolk Counties, Hamilton region, Lambton County, Middlesex County, Niagara region, and Oxford County.

<sup>56</sup> Western Ontario includes: Bruce County, Dufferin County, Grey County, Halton region, Huron County, Peel region, Perth County, Simcoe County, Waterloo region, Wellington County. The boundaries of these regional clusters in some cases are ridiculous. Only the cartographer rearranging boundaries in the Middle East after WW1 could have come with more bizarre inclusion set for “Western” Ontario. For example, Halton and Peel Regions are close to the Greater Toronto Area, Simcoe County is adjacent to Lake Simcoe and thus is in the heart of Central Ontario. Similarly, Wellington County surrounds Guelph and is closer to Simcoe, and similarly Dufferin County surrounds Orangeville and is on the northwest edge of the GTA. For people who actually live and know the geo-cultural boundaries of Ontario, as noted in a previous footnote, the heart of Western Ontario is Huron County and thereafter we may think of north Lambton inside the boundary as well as Bruce, Grey and Perth counties.

unending economic development and planning reports, Huron County, we observed one of the more outlandish contributions: a projected county population increase of 15% by 2031 and well over 100% growth rates among males over 80 years of age. The Huron County Health Unit projected in 2010 that:

Between 2006 and 2031 the population of Huron County is projected to grow by 15.4% (to 64,484) and 35% across Ontario (to 16,366,192).  
 ... There will be rapid growth in the population of 60+ for both Huron and Ontario during this period. Males 75+ are projected to grow more rapidly than females in the same age group.<sup>57</sup>

The “experts” in Huron do not describe why or how growth rates would occur at such astonishing rates -- even while Huron has been losing population since 1996. Moreover, we are not told of the salubrious effects of “living male” in the county. Most population projections on this sort are entirely suspect and should not be relied upon. A set of real, authenticated numbers are below.

*Table 2, Population Changes in Selected Southwestern and South-Central Counties, 2001-2011*

	2001	2011	% Change
Brant County	118,485	136,035	+ 14.81
Bruce County	63,892	66,102	+ 3.45
Chatham-Kent	107,709	103,671	- 3.74
Elgin County	81,553	87,461	+ 7.24
Grey County	89,073	92,568	+ 3.92
Haldimand County	43,728	44,876	+ 2.62
Huron County	59,701	59,100	- 1.01
Norfolk County	60,847	63,175	+ 3.82
Perth County	73,675	75,112	+ 1.94

Source: Statistics Canada, Census of Canada, 2001, 2011

Finally, it is not lost on us that the two counties in Table 2 that have experienced significant population bump-ups are Brant (including Brantford) and Elgin (including St. Thomas). Brantford has been much maligned as an economic basket case over the last decade or more, and similarly, St. Thomas

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<sup>57</sup> Huron County Health Unit, “Huron County Demographics Report, 2010,” Figure # 4, p. 7.

has been pilloried as Ontario’s “unemployment capital.” And yet, both have experienced remarkable population growth during the period 2001 to 2011.

The Census of 2006 indicates that there were 18,665 “census farms” in “Southern Ontario” and 17,094 in 2011; there were 18,498 in “Western Ontario” in 2006 and 16,771 in 2011. Thus, we observe 8.4% and 9.3% declines in these two regions.<sup>58</sup> In the rural counties/municipalities for which we shall take an interest in this study i.e. Brant, Bruce, Chatham-Kent, Grey, Huron, Middlesex, Norfolk, Oxford and Perth, these jurisdictions also suffered significant losses in terms of the number of census farms. See Table 3. However, as we have noted elsewhere, the size of farms, on average, rose during the 2006 to 2001 period.

*Table 3, Census Farms in Selected Rural Counties of Ontario, 2006, 2011*

	2006	2011	% Change
Brant County	818	719	-12.1
Bruce County	2259	2011	- 10.9
Chatham-Kent	2196	2049	- 6.7
Grey	2687	2248	-16.5
Haldimand-Norfolk	2415	2180	- 9.7
Huron County	2738	2467	- 9.9
Middlesex	2525	2352	-6.8
Oxford	1990	1815	-8.7
Perth County	2438	2252	- 7.6

Source: Ontario Ministry of Agriculture, Food and Rural Affairs, “Number of Census Farms by County, 1991, 1996, 2001, 2006, 2011”, [www.omafra.gov.on.ca/english/stats/census/cty30.htm](http://www.omafra.gov.on.ca/english/stats/census/cty30.htm).

Dairy, soybean and corn production tend to be the leading agricultural outputs in the Southwestern and South-Central regions, followed by cattle and hog operations. See Table 4.

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<sup>58</sup> Ontario Ministry of Agriculture, Food and Rural Affairs, “Number of Census Farms by County, 1991, 1996, 2001, 2006, 2011”, [www.omafra.gov.on.ca/english/stats/census/cty30.htm](http://www.omafra.gov.on.ca/english/stats/census/cty30.htm). See footnotes # 55 & 56 to define the boundaries of Southern and Western Ontario.

*Table 4, Agricultural Products by Selected Counties in Southwestern and South-Central Ontario, 2010.*

Brant County	Ginseng (\$31.8 m.)	Corn (\$24.4 m.)	Dairy (\$23.4 m.)
Bruce County	Cattle/Calves (\$137.2 m.)	Dairy (\$65.6 m.)	Soybeans (\$49.7)
Chatham-Kent	Soybeans (\$100.3 m.)	Corn (\$87.4 m.)	Vegetables (\$67.8 m.)
Elgin County	Corn (\$69.1 m.)	Soybeans (\$56.1 m.)	Dairy (\$48.9 m.)
Grey County	Cattle/Calves (\$99.5 m.)	Dairy (\$42.4 m.)	Fruit (\$14.7 m)
Haldimand-Norfolk	Flowers/Nursurries (\$85.9 m.)	Soybeans (\$70.1 m.)	Tobacco (\$61.2)
Huron County	Hogs (\$141.0 m.)	Cattle/Calves (\$111.3)	Poultry (\$106.8 m.)
Perth County	Dairy (\$192.4)	Hogs (\$134.0)	Corn (\$65.3)

Source: OMAFRA, Strategic Policy Branch, “Western and Southern Ontario Region(s) Regions at a Glance,” taken from 2011 Census of Agriculture, Statistics Canada.

*Table 5, Employment in Selected Rural Counties and Regions by Sector, Agriculture & Manufacturing, 2011*

	Agriculture	Ranking	Manufacturing	Ranking
Brant County (excl. Brantford)	1629	4th	4298	1st
Bruce County	3491	4th	3753	3rd
Chatham-Kent	4012	4th	13,218	1st
Elgin County	3391	4th	12,144	1st
Grey County	3310	6th	9181	1st
Haldimand County	1931	4th	5097	1st
Huron County	4890	2nd	5389	1st
Norfolk County	4515	2nd	7639	1st
Perth County	4419	3rd	10,159	1st
South-Central <sup>59</sup>	19,906	8th	57,486	1st
Four counties – Western Ont. <sup>60</sup>	15,800	4th	22,600	2nd

Source: Ontario Ministry of Economic Development and Innovation, [investinontario.com](http://investinontario.com), SelectOntario site, as at January 2013.

<sup>59</sup> Includes Brant, Norfolk, Elgin and Middlesex counties. Workforce Planning Board of Grand Erie, Elgin Middlesex, Oxford Workforce and Planning Board for SCOR, “Industry & Employment Analysis: The SCOR Region,” Oct. 4, 2012, p. 18, taken from Canadian Business Patterns Data.

<sup>60</sup> Four County Labour Market Planning Board (Grey, Bruce, Huron, Perth), “Local Labour Market Plan,” March 2012, Table B, p. 11.

But, while agricultural production has dominated the historical image of what rural economies are all about, in fact, the dominant economic base for rural development in Southwestern and South-Central Ontario is *manufacturing*. See Table 5. In the face of advocacy by those supporting “rural creative economies,” the idea that manufacturing is in decline, and agriculture is ascendant is not borne out. The facts are *manufacturing employment is by far the most powerful economic engine in eight out of the nine counties we observed in Southwestern and South-Central Ontario*.<sup>61</sup> Agriculture, more often than not, is about 4<sup>th</sup> ranked in terms of employment – the salient exceptions being Huron and Norfolk counties.

### *Success in Rural Development*

The foregoing data presumably would make it difficult for the neutral observer, or even a fully-invested agriculturalist, to support the idea that agricultural production as a policy priority ought to exclude other forms of economic activity in rural Ontario counties. Most sensible agricultural advocates would not suggest such a position, and, indeed, the reality on the ground reflecting the actual dominance of manufacturing in most rural counties defies this suggestion. And, yet, we continue to face the myth of the viability of “family farms,” (see Table 3) the bumper stickers that say “farmers feed cities,” and county planning departments that welcome “provincial mandates” that severely restrict business operations, specifically manufacturing, in their jurisdictions. Too often county councils and their *dirigiste* planning departments are captured by the foregoing myth, the bumper sticker, and the mandates on land use, or worse economic development consultants trotting out the most recent anti-manufacturing ideational fads. Too many rural county councils effectively post the sign, “Not open for business.” It is probably time to break down the isolationism and the lethargy; it is probably time to get serious about what is on offer and what can be achieved for the economics of rural development in Ontario.

The secret to economic development success in rural Ontario on the matter of attracting manufacturing placements is straightforward: *active leadership*; active leadership coming from either

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<sup>61</sup> Manufacturing is only 3<sup>rd</sup> ranked in Bruce County because of the dominance of Bruce Nuclear Power facility and the enlarged retail sector spun off from employment at this facility.

local politicians, local bureaucrats, the private sector, or even the provincial and federal governments.<sup>62</sup> Indeed, we have a handful of small cities and a rural township in the Southwest and South-Central Ontario that have become marvellous examples of strong leadership – even as an equal number of rural counties have been bogged down in the paralysis of report writing and consulting studies. The municipality of Thames Centre on the eastern side of Middlesex County is a very good example of excellent leadership coming mainly from a local political executive, and so is the City of Woodstock in Oxford County; in the latter case involving a local bureaucrat with the considerable assistance of an Ontario Ministry. We also have rural communities inside these regions on the cusp of breakthroughs. And on this list we include Stratford, Brantford and Chatham-Kent as good examples. In addition, we have some fine examples of useful economic development guidance coming from some outside consultants, notably in Brantford and Chatham-Kent. But in the end, it is the actions taken by local leaders and the positive, hands-on assistance of the Province that makes the crucial difference.

#### *Thames Centre*

Thames Centre, a rural, lower tier municipality, has captured attention for its remarkable public entrepreneurship. The Mayor made it his business a few years ago to stimulate interest in this otherwise unassuming rural community by taking the lead on installing proper infrastructure in the municipality, putting a muzzle on bureaucratic regulation, and keeping business taxes in check – a formula so straightforward, but so elusive for many other rural municipalities. In 2010, with the assistance of the local Member of Parliament for Elgin-Middlesex-London funding was secured through the federal government agency FedDev (for Southern Ontario) allowing the municipality to build the Thorndale Business Park as well as a water tower, new roads, water and sanitary storm sewers. Thames Centre later cut a deal with the City of London and the Lake Erie Water Board to install a water pipeline along Hwy

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<sup>62</sup> The Ontario Ministries of Agriculture and Food (formerly Agriculture Food and Rural Affairs) and Economic Development tend to be well-intentioned and moderately effective. The Ministries of the Environment, Natural Resources and Municipal Affairs tend to be obstructionist. The federal agencies located in most rural counties known as Community Futures Economic Development Corporations have a reasonably good record of assisting small businesses and budding entrepreneurs. Moreover, a few, individual federal M.P.s in the last few years have been remarkably helpful on local economic development, although too few take up the challenge.

401 to supply the community. And, even before these plans bore fruit, the Mayor and council managed to snag a major defence contractor, Armatec, which re-located from the City of London -- ostensibly to escape burdensome regulation and taxation in that city. Armatec settled in Dorchester.<sup>63</sup> In the wake of the Armatec success, Thames Centre has also attracted Ideal Polymers Solutions Co., a subsidiary of Ideal Pipe – the first tenant in the Thorndale Business Park, bringing along 50 new jobs. The Mayor has said that his community’s success is tied to lower development charges, less expensive land prices, and eliminating “red tape” -- “nothing sits on someone’s desk.”<sup>64</sup>

### *Woodstock*

On a larger scale, the city of Woodstock hit the sweepstakes in 2005. Toyota Motor Corporation had already arrived on the scene in Southwestern Ontario several years before building an auto assembly plant in Cambridge. Wishing to expand its assembly business in North America the company decided on developing another site close to Woodstock. While lots of other communities and jurisdictions across North America competed for new assembly plants, placements in rural areas have been a priority for Toyota, citing the work ethic of rural workers.<sup>65</sup> On its second round placement, the Ontario Government was at the ready starting in 2004 sending representatives to Japan to discuss prospects with Toyota officials. Toyota Canada officials were also very friendly to prospects in the Woodstock area, since this site was relatively close to Cambridge, and had been the second-ranked site on Toyota’s original choice to go to Cambridge. Toyota settled on the Woodstock site in January 2005; Woodstock was notified of its favourable positioning on February 15<sup>th</sup> and by June 30, 2005 the public announcement had been made.<sup>66</sup> For about three months after February 15<sup>th</sup>, the race was on to execute site preparations; truly a case study *extraordinaire* in effective (and by turns ineffective) local and provincial political and bureaucratic leadership.

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<sup>63</sup> Norman De Bono, “Thames Centre woos investors with London water,” *London Free Press*, Apr. 23, 2010.

<sup>64</sup> Hank Daniszewski, “Investment pays off for Thames Centre,” *London Free Press*, Aug. 15, 2012.

<sup>65</sup> Norman DeBono, “London was never in the running for the plant,” *London Free Press*, Nov. 4, 2012.

<sup>66</sup> Confidential interviews, March 2013.

Driven principally by the local development commissioner in Woodstock and the Ontario Ministry of Economic Development and Trade, the Toyota initiative struggled through local political shoals marked by personal incapacities, legal entanglements, jurisdictional fights, and lots of political show-boating. If the key local driver was the Woodstock EDO, the key enforcer was the Province. The first job in mid-February was the assembly of the land for the plant, about 1000 acres. Woodstock's EDO took charge at the behest of his Council. He hired local real estate professionals to canvass available lands, assist in assembling the lands, and help conduct negotiations. Since the City of Woodstock at the time had no power to expropriate property outside its boundaries, the Woodstock EDO was simultaneously hired by the County of Oxford as an official agent of the County -- thus he had two reports during the Toyota placement. Events proceeded quickly on identifying proper lands for assembly, but an annexation issue soon cropped up wherein Woodstock would seek to take over lands inside the township of Blandford-Blenheim. The township, as might be expected, balked at the annexation, figuring that they might be the primary jurisdiction for Toyota. But, the township was simply without sufficient physical infrastructure, financing capacity, and the administrative wherewithal to manage a project as large as the Toyota plant, and so the Province without delay stepped in to ensure an orderly transition of the large parcel to the Woodstock jurisdiction, including a proper and stable, local fiscal regime for Toyota. Indeed, throughout the process, the provincial government was prepared to ensure that all governing issues were despatched with certainty and efficiency -- even to the point of taking themselves officially out of the annexation process. (Unforeseen legal issues and administrative problems related to a lengthy environmental assessment that would otherwise be forced on provincial authorities prompted the Province to stand aside.) Very shortly, officials in Economic Development Ministry were consulting with Woodstock officials on a daily basis and then multiple times per day to ensure administrative problems could be resolved in short order. Oxford County officials in the planning department and the Warden's office also assisted in the transition, particularly in reference to zoning changes and a land assembly issue related to the purchase of a local commercial plaza. Owners of the plaza put up a strenuous fight against expropriation, first seeking an injunction, then engaging in series of appeals. (Indeed, incredibly, a final

trial in this expropriation issue will not occur until later in 2013, and then the Ontario Municipal Board will have a hearing on the value of the property expropriated even though the plaza buildings have torn down and Toyota occupies the site.<sup>67</sup> The County of Oxford actually held ownership of the plaza property for a time during the transition as the property was sold to Toyota.)<sup>68</sup>

Later in the process more unforeseen issues cropped up including the linkage of rail spur into the Toyota site and prospective environmental assessment being pushed by federal government officials. Happily the railway issue was resolved by enterprising legal staff who found a “grand-father” clause in some long-forgotten document, which satisfied otherwise recalcitrant federal bureaucrats looking to stop the rail reconstruction. Moreover, as is often the case in the rural parts, a band of officious, volunteer board members on the Thames Valley Conservation Authority did their best to hold up the entire venture in their zeal to protect putatively rare, wild “strawberry” plants thought to be endangered in Oxford County. The wild strawberries were actually “endangered” in the next county, and so this issue was resolved as well.<sup>69</sup>

The Toyota plant has been a roaring success for the City of Woodstock, the County, taxpayers, and those seeking employment in the region. One big reason has been the formation of a series of spin-off companies servicing the assembly plant – effectively upstream linkages referenced by Cohen and Zysman. Most of these auto parts plants are located in Woodstock, and Stratford to the north. Seven companies to date have been placed in Woodstock, but curiously none the adjacent townships – with up to 1200 employees attached these firms. In Stratford there are four auto parts companies; in St. Thomas there is one; one in London, and one in Simcoe.<sup>70</sup> There are also supplier companies in around Woodstock servicing the auto part firms – a second stage upstream linkage. Moreover, given the climate of growth and hospitable business relations, Woodstock has also attracted several other new placements: Sysco, Execulink, Nova Steel, North American Stamping Group, Cornell Welding and Fabricating Ltd., Harvan

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<sup>67</sup> Confidential interviews, March 2013.

<sup>68</sup> Bruce Urquhart, “County takes ownership of mall,” (Woodstock) *Sentinel-Review*, Apr. 13, 2006, p. 1

<sup>69</sup> Confidential interviews, March 2013.

<sup>70</sup> Confidential interviews, March 2013.

Engineering Ltd., and J/E Bearing and Machine Ltd. – the latter two being sub-contracts from General Dynamics Land Systems located in London.<sup>71</sup>

### *Chatham-Kent*

In 2012, the unified, upper tier municipality of Chatham-Kent located equidistant between Windsor and London just off “the 401,” jumped into the game of aggressive economic development. Led by its new director of economic development services, Chatham-Kent crafted business and marketing plans that exuded its new-found assertiveness. With very short term goals in mind, the director and his team set to work. One of the stratagems was to focus on possible plant re-locations from Western Canada. Alberta’s oil boom and an attendant demand for energy industry suppliers has made Canada’s central provinces obvious choices for manufactured goods and business services. Coincident with this Western Canadian stratagem, in February 2013, Chatham-Kent scored big time with the relocation of a heavy-duty, construction trailer manufacturer from Manitoba. This was a case where the Chatham-Kent EDO was johnny-on-the-spot when a company president came to visit the region. All the stops were pulled out to accommodate the Manitoba CEO’s expansionary efforts. Eight months later Chatham-Kent had the deal executed.<sup>72</sup>

### *Stratford*

More public entrepreneurship on the economic development front has been evident in Stratford, a mid-Western Ontario municipality in the heart of Perth County. While much has been made of the influence of its strategic plan, *Vision 2010*, written in 1997, as the catalyst for its current and pending success, when one cuts out all the rhetoric the reality is Stratford has produced two foundational successes on the economic development front over the last two decades: 1) it placed huge credence in developing its public, digital infrastructure (i.e. the extensive laying of fibre optic cable and later wireless capability) starting early in the 1990s, and 2) it capitalized on this infrastructure to attract some big corporate players

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<sup>71</sup> Ron Thomson, “Woodstock lands more jobs,” *London Free Press*, Aug. 28, 2012; Staff, “Woodstock plant announces major expansion,” (Woodstock) *Sentinel-Review*, Dec. 11, 2012; Heather Rivers, “Local companies land LAV contracts,” (Woodstock) *Sentinel-Review*, Jan. 17, 2013.

<sup>72</sup> Vicki Gough, “Western Canada success spells local employment,” *Chatham Daily News*, Feb. 7, 2013.

to this comparatively small city of 32,000 in rural Western Ontario. In many ways, it is an astonishing story. Because Stratford took action early on compared to other places in Ontario, it has managed to lay the groundwork for subsequent success. It has gained the confidence of Toshiba, RIM (now Blackberry) Onkyo, AnyCOMM, Bridgelux, Molex, LeoNovus, Motorola, the Royal Bank of Canada, Toyota, the University of Waterloo, OpenText, and the Government of Canada.

Aggressive political leadership lies at the fulcrum of this success. Successive Mayors over the last two decades have left the city in a very favourable position allowing the city to punch well above its weight class. Even before the 2008-09 recession, Stratford was organizing to advance its interests. Starting in 2006, Stratford's mayor, Dan Mathieson, helped broker a deal with the University of Waterloo and the Stratford Shakespeare Festival to set up a new campus in Stratford focusing on business and digital media. All of this preparation led Mathieson's community to be declared one of the world's top "smart cities" for two years 2011-12. Concurrently, the Canadian Digital Media Network (CDMN), a start-up, federally-funded organization began its work in Stratford holding four national annual gatherings of the "Canada 3.0 Conference, from 2009 to 2012 led by Ian Wilson. The University of Waterloo opened its doors on a new facility in downtown Stratford in 2009, where the university would offer a master's and an undergraduate program in business and digital media. Also coming out of the University were efforts to establish a digital media accelerator centre in downtown Stratford – an accelerator centre is described as one-step beyond a business incubator where specific commercialized efforts are undertaken with highly prospective business clients. The accelerator centre in March 2013 had seven clients, part-time mentorship, and most of its facility hard-wired up and running.<sup>73</sup>

On paper, most of the recent public entrepreneurship by Stratford and the University of Waterloo appears to be on solid footing and growing. Indeed, up to 20 businesses are said to be joining the accelerator centre in the next year or two – an outgrowth of similar successful centres in Waterloo and Kitchener. However, there have been bumps in the road and the prospects for digital media business development appear somewhat less certain than advertised. First, Canada 3.0 Conference led by the

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<sup>73</sup> Confidential interviews, March 2013.

Canadian Digital Media Network (CDMN) moved out of Stratford and on to Toronto early in 2013. The fifth annual conference will be held at the Metro Toronto Convention Centre in May 2013 – an apparent victim of its own growing success and an attempt to accommodate visitors from across Canada. This is an early loss for the Mayor and an unfortunate symbolic concession to the problem that Stratford is too small and too rural to compete. (Better to have shifted the conference to the London ON convention centre, a few miles down the road from Stratford, and at least preserved the argument that Southwestern Ontario has the capacity to serve national markets.) Next, while the Stratford campus of the University of Waterloo had been announced as early as 2006, it was in 2009 that a building was acquired in downtown Stratford, and only in September 2011 when the campus accepted matriculants into the graduate digital media program. Unfortunately, the university is not moving its entire four year undergraduate program to Stratford; students come to the Stratford campus in year 3 – and since the undergraduate program in digital media started in 2012, its complete presence in Stratford will not begin until 2014. Moreover, even though the accelerator centre had been announced in October 2010, it was just launched in February 2013, a full two and a half years late. And its introduction is more than a little tentative as there are no full-time administrators on site and a single mentor comes in once or twice per week. There is additional uncertainty for all the digital media activities as the CDMN, the Canada 3.0 Conference, and the accelerator centre are being supported by an \$11 million grant from the federal government that ends in 2014 -- a grant from the Centres of Excellence for Commercialization and Research program offered by Industry Canada.<sup>74</sup> (Happily for the accelerator centre, new money was announced in the March 2013 federal budget.) While one or two private companies are offering workforce and creative support to the university for foregoing digital media activities -- notably OpenText's \$10 million pledge in 2008 -- none of these institutions are operating independently or on private funds; they all remain state dependent. Like the solar and wind industries elsewhere in Ontario, they are subsidized to the hilt by government.

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<sup>74</sup> Confidential interviews, March 2013.

## *Brantford*

The City of Brantford, a long-time manufacturing centre in the middle of South Central Ontario, is another community that has relied on the “downtown colleges” strategy to boost its economy.

Historically, Brantford has been the home of agricultural implement manufacturers such as Massey-Ferguson, and the site of Alexander Graham Bell’s telephonic invention. Starting in the 1960s, Brantford began to fall on hard times, and several recessions later by the end of the twentieth century, this city dominating Brant County was a shadow of former glory.

The downtown colleges strategy has attracted a great deal of news media attention and been the envy of other municipalities elsewhere in Ontario. Indeed, compared to Stratford’s initiative with the University of Waterloo, Brantford is an apparent super-star having attracted Wilfred Laurier University from Waterloo, Nipissing University from North Bay, and Mohawk College from Hamilton, with a total of 4355 students in 2011.<sup>75</sup> However, the much-heralded downtown colleges strategy is not quite the success some have suggested. In addition to the closure of the Mohawk campus in downtown Brantford slated for 2013<sup>76</sup>, a 2012 survey commissioned by a local educational agency indicates that downtown businesses have only a modest awareness (by a 3:2 ratio) on “familiarity” with the post-secondary institutions located downtown, and for business owners beyond the core, “familiarity” is evenly split between those saying yes and no.<sup>77</sup> Worse, the survey indicates that there is split opinion by downtown businesses on the positive-negative economic impact of these institutions, and by a ratio of 2:1 businesses outside the core area say the colleges have no positive impact for their businesses.<sup>78</sup> Beyond sales of “beer and pizza,” the purchasing power of students is modest. Close to a majority of downtown businesses observe no “changing” i.e. evolving positive impact on their businesses, and for the business beyond the

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<sup>75</sup> Adventus Research, “Economic Analysis & Impact of Laurier Brantford, Nipissing-Brantford and Mohawk College in Brantford, Brant County and Other Regions,” for the Grand Valley Educational Society, Jan. 17, 2012, p. 21.

<sup>76</sup> *Ibid.*, p. 21. Mohawk College announced in 2011 that in 2013 it would close down its physical facility in downtown Brantford and re-settle in the Odeon Building sharing with Laurier and Nipissing.

<sup>77</sup> *Ibid.* pp. 27-28.

<sup>78</sup> *Ibid.* p. 29.

core close to 70% say there is similarly no positive evolving impact.<sup>79</sup> For the period 2005 to 2011, 10 downtown businesses report hiring an average 0.42 of a student full-time and one student part-time, and 17 business beyond the core area report on average hiring of 1/3 of a student full-time and 0.7 of a student part-time. Most have no idea what programs the students are studying.<sup>80</sup> Notwithstanding all the foregoing, businesses in general think the “idea” of downtown colleges is good for Brantford; they think that the colleges contribute to the economic well-being of the Brantford, and that the business climate downtown has improved since 2005. But, on the final question, the “degree of influence” colleges bring by their presence downtown, again, respondents are split in their opinions positive and negative.<sup>81</sup>

In parallel fashion, the authors of Brantford’s 2010 economic development strategy report that: “Local post-secondary institutions [are] not focused on programming for the opportunity building sectors in science and technology.”<sup>82</sup> The leading programs offered in the downtown campuses are education, police foundations, and criminology, and thus not programming that assists in the development of high tech start-ups or even business services. And, unlike Stratford, there does not appear to be an incubator or accelerator centre in place, again, to assist with start-up development and thus economic development.

As a final note in our research for this paper, as a general observation, we have noted that consultants’ reports typically have little to contribute particularly on our central concern for laissez-faire manufacturing development. And yet, the 2010 Brantford economic development plan is an exception. It is probably one of the most realistic and useful planning documents to appear in our files. Principally crafted by long-time consultant, George Schrijver, this professional iconoclast lays bare for examination the critical decisions that have to be addressed by Brantford in the short and long term, and mercifully avoids current academic fads, like “creative economies,” and empty reliance on “location quotients,” “shift-share analysis,” the distraction of “community consultations,” and other “New Age” progressive nostrums that lard up other economic development documents. The Schrijver document appropriately

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<sup>79</sup> Ibid. p. 31.

<sup>80</sup> Ibid. p. 32.

<sup>81</sup> Ibid. p. 42.

<sup>82</sup> City of Brantford, *Brantford Economic Development Strategy*, August 2010, p. 27 (consultants: George Schrijver, WCM Consulting and MHBC, Planners and Landscape Architects.

places considerable emphasis on pragmatism and leadership, i.e. the development of local business champions and offers an extensive “industrial land strategy,” which quite obviously directly addresses the input needs of site selectors for industrial clients and CEOs looking to make a move to Brantford. Since the industrial land strategy was evidently commissioned by the Brantford economic development organization, clearly they too are singing from the same hymn book and deserve our appreciation. While several government policies act as obstacles in South Central Ontario -- including irresolution of land claims for Six Nations -- Brantford political leadership is well positioned to take the lead based on Schrijver’s recommendations. Time will tell if action will meet potential.

#### *Plans, Planning and Economic Development in Southwestern and South-Central Ontario*

Notwithstanding the successful cases in the foregoing section, there are too many other examples of rural counties going through the motions of economic development without providing real leadership for their citizens or businesses; they write lots of reports, organize lots of “community” consultations, but not much else gets done. Indeed, the incentive landscape in support of manufacturing in Southwestern and South-Central Ontario is somewhat hit and miss. In this section, we review the most recent county economic development plans as well as county Official Plans. These documents taken from a selection of rural counties offer us the best insight into the predisposition of county authorities toward encouraging manufacturing. Too often it is not a pretty sight.

Economic development plans are chosen for review for obvious reasons; they tell us what county councils, their planners and economic development officers (EDOs) say they want to achieve, or at least what their commissioned consultants suggest they ought to achieve. Official Plans are chosen for review because they often provide the best insight into the real intentions of county councillors, bureaucrats, especially planners -- who more often than not perform two contradictory functions: land use regulation and land use promotion. In general we have found economic development plans act as “conventional” promotion pieces reflecting the most recent “cool thing” in economic development thinking and thus often fall into the category of wishing thinking. We also found that Officials Plans more often than not

indicate how and why “the rubber is meeting the road” i.e. where manufacturing sits in relation to other competing mandates in a rural county such as agriculture, natural resources, the environment, tourism, aggregates development and the like. Since the economic development function within rural counties is many times governed by land use planners (regulators), who are not exactly cheerleaders for business, industrial and commercial development, we are given an opportunity to see what goes on behind the veil i.e. what planners really think and pursue when left to their own devices.

### *Huron*

Huron County, in the heart of mid-Western Ontario bordering on Lake Huron, is a unique jurisdiction on the matter of policy planning. The county for decades has established a tradition of inward-looking, somewhat isolationist thinking on the planning and economic development front.<sup>83</sup> Things have changed a bit in Huron in the intervening years. But, one thing that has not changed and that is their affection for writing reports, and the economic development (ED) front is emblematic of this predisposition. Even though the ED function was initiated in the mid 1970s, it is reasonably safe to say that no serious attention was paid to ED until 2005-06. The new Warden (chairman of county council) in January 2006 established a Task Force on Economic Development, the result of a “municipal economic development readiness initiative set up in 2005 with the assistance of the Huron Development Corporation (part of the Community Futures Development Corporations network established in mainly local rural jurisdictions by Ottawa), and five lower tier municipalities in the county. Out of this effort, a new three-year strategic plan was put into place, the “Huron Economic Development Matters Initiative,” again developed with the assistance of the federal Community Futures folks. The “ED Matters Initiative” highlighted a “manufacturing sector marketing plan” -- which later led to the establishment of the Huron Manufacturing Association, a private sector group of “manufacturing” interests housed in county offices

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<sup>83</sup> I recall vividly an occasion in the early 1990s when County’s chief planner sent one of his juniors to a meeting with local officials in the village of Hensall where I had been invited to speak on economic development opportunities. It was a very pleasant meeting. The junior planner dutifully wrote down all my ideas in comprehensive detail and then drove off into the evening to brief her boss the next day on what I had contributed. I never heard from these folks again. It was good lesson early in my career on the difference between professional promotion and signed contracts.

and assisted by a part-time planning bureaucrat. The “ED Matters Initiative” was probably one of the last times that manufacturing was seriously emphasized in an official county initiative.

In the interim, the county planning and “development” department has produced a myriad of reports – even though there is only one full-time economic development officer in Huron. Here’s the list.

- The State of the Huron County Economy, 2005;
- Huron Manufacturing Sector Marketing Strategy, 2005;
- Draft report, Sustainable Huron: Take Action Report, Dec. 1, 2008;
- Take Action for Sustainable Huron report, 2009;
- Huron County, “Economic Development Opportunities Blueprint, Terms of Reference, 2009;
- Huron County Economic Opportunities Blueprint, Phase 2, Results of Industry Workshops, June 2009;
- Huron County Economic Development Services, 2010 Business Plan: A Four Pillar Approach to Economic Prosperity;
- Economic Opportunities Blueprint Strategy – RFP Results – March 29, 2010;
- Final Project Report, Huron Economic Development Matters, June 1, 2007 to May 31, 2010;
- Final Report of the Take Action for Sustainable Huron, accepted by Council June 2, 2010;
- The State of the Huron County Economy, 2010: Towards Sustainable Economic Renewal, Sept. 2010;
- Final Report of the Economic Opportunities Blueprint Strategic Plan, Dec. 2010; Staff report presented to Council on Jan. 12, 2011 Committee of the Whole Day 1 meeting. The Blueprint was intended to be brought back for further discussion and consideration of adoption.
- Huron County’s Community Super Conference, Bluewater Shores, focusing on “climate change, peak oil, population growth, food security, *no growth scenarios* (i.e. decrease in fossil fuels), loss of biodiversity, the global economy, political instability, and demographic change, Mar. 22, 2011;
- Business Retention & Expansion 2-yr. studies in Goderich, South Huron, Wingham, Bayfield and Brussels, funded by OMAFRA, announced at County Council Apr. 13, 2011;
- Final Report of the Transportation Demand Management Plan, May 2011.

Perhaps the most astonishing exercise taken up by county planners was the “Super Conference” highlighting among other things, “no growth scenarios,” with guidelines offered by a University of Guelph tenured professor; an offering coinciding with the closing down of one of the county’s largest industries, Volvo grader manufacturers in Goderich. Moreover, in the wake of a deep recession, the loss of Volvo, the county suffering from de-population, and indeed in a county where no town exceeds 10,000 in population, county planners commissioned a study about *traffic congestion* on county roads. It is not clear where traffic congestion might be found in the county. (I grew up in Huron when the principal

Friday night entertainment for teenagers was the infamous “gravel-run;” road congestion was the least of our problems. While many gravel roads have been paved over, the traffic volume in the county is currently imperceptibly different – with the possible exception of Hwy # 4/8 between Goderich and Clinton at early morning and evening commuter times.) Perhaps the most counter-productive set of studies from the point of view of economic growth involved the Sustainable Huron series of reports and activities also led by county planners; a kind progressive, awareness-raising exercise focused on environmental sustainability, climate change, and as noted, limits to growth strategies. Huron probably should be exempt from such considerations given the evidence offered in Tables 1-3. Needless to say economic growth, let alone manufacturing development, is not celebrated nor seriously pursued by planning officials and their reports; and there is no serious political or business leadership in these areas.

It does not get any better when canvassing Huron’s Official Plan (2010). The Plan identifies “four pillars” of economic development: agriculture, manufacturing, tourism and “creative industries,” apparently all having economic equivalence. Planners cite the following values context for their four pillars:

The community’s involvement identified two main values for the economy. The residents of Huron value job opportunities, job diversity, and desirable careers for young people. Residents value the attributes of small towns and rural communities such as friendly people, a clean environment, and convenient access to goods and services. These community values must be supported by jobs. The community values the importance of fostering entrepreneurship, developing partnerships and promoting growth from within by building on its present strengths.<sup>84</sup>

Apparently the core value in support of jobs is going to be enhanced by small town capabilities and a clean environment. Out of this, entrepreneurship will be generated “from within” and the county will build on its “present strengths.” Present strengths are obviously not in evidence, and the long-nurtured,

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<sup>84</sup> County of Huron Official Plans Amendments, June 2, 2010.

inward-looking isolationism perpetuated by county planning has in effect been institutionalized. Moreover, the mobilizing agency remains officialdom's much-ballyhooed internal "networking" culture, triumphantly declared by county EDOs at all manner of ED seminars, conferences and training sessions.

Somewhere, decades ago, Huron County economic development started to go off the rails. Notwithstanding emergent political leadership starting in 2005, it has never recovered. A very significant contributor to the lack of political leadership in Huron and other rural counties is the antiquated, annual circulation of elected officials in the office of Warden (chairman of council). Unless the provincial government gets serious about *Municipal Act* amendments and extends the office to a four-year term and allows popular election of Wardens on a county-wide basis, the leadership problem is not going to go away, and economic development among other crucial functions at county council will continue to be impoverished.<sup>85</sup>

#### *Bruce and Grey Counties*

The upper tier municipalities of Bruce and Grey counties have been late to the game of economic development, but recently they joined forces in order to pursue a regional ED strategy. In the past, ED functions have for the most part been assigned to lower tier municipalities in both counties. The joint effort established in 2009 was called the Grey Bruce Regional Economic Development Partnership. Notwithstanding the formality in the name, the partnership was only modestly funded and managed to restrict its activities over the course of two years to the launch of a website and a couple of initiatives: a local food marketing campaign and an "advanced wood manufacturing study" -- which assisted in the formation of a private sector organization, the Bluewater Wood alliance.<sup>86</sup>

In June 2010, the new Chief Administrative Officer of Grey County in his "Early Impressions" report advanced the idea of leveraging up initiatives on the economic development front. A committee of

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<sup>85</sup> See Kimble F. Ainslie, "Management Decision-Making in Huron County," a master's project for the School of Public Administration, Queen's University, October 1976. My first consulting study was commissioned in April 1977 by Bill Hanly, CAO of Huron County: "A Report on Social Services and Public Health Planning in Huron County," Nordex Group, September 1977.

<sup>86</sup> County of Grey, Committee Report, CCR-PCD-79-10, Planning and Community Development Committee, Bryan Plumstead, Tourism Manager & Economic Development Coordinator, Nov. 16, 2010, endorsed Grey County Council, Nov. 23, 2010.

Grey County Council, prompted by its economic development coordinator, approved a recommendation in November to engage with Bruce County on a “regional approach” to economic development, shortly dubbed the “Grey Bruce Economic Development Action Plan Committee.” Bruce County agreed and the committee was comprised of the two Wardens from Bruce and Grey, four county councillors from each county, and representation from the three federally-funded Community Futures Development Corporations” in the area. Consultants were hired in 2011 and were commissioned to report on possible models of collaboration and execution in two phases: facilitating a regional organizational structure and then compiling a regional ED plan. The engagement stopped after the first phase; the counties never did get to a regional strategy.

To make a long story short, “regional” or bi-county collaboration failed because the designated authorizing body assembled to consider the consultants’ approach was dominated by lower tier municipalities in both counties. In January 2012, county officials and a plurality of representatives from these lower tier municipalities gathered for one day to review three ED organizational options produced by the consultants. By the end of the day they had rejected the regional approach, and were deadlocked on a choice between the organizational status quo and establishing two separate and strong ED units in each county. It probably could have been predicted that delegating the *de facto* choice on ED governance to lower tier municipalities would result in an impasse; effectively, the county bureaucrats and politicians were asking these local officials to make themselves redundant. They said “no.” And so the planning effort on an ED regional approach came to a screeching halt.<sup>87</sup>

In the wake of this failure, the Grey Bruce ED Partnership was disbanded, with promises by both county councils to move ahead in some manner. Grey retrenched and took a left turn toward an “intelligent community” project – comparable to Stratford’s initiatives. The county will spend \$100,000

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<sup>87</sup> Festering discontent with the expanding role and expense of the upper tier municipality had been present among lower tier politicians and bureaucrats for some time. The January 2012 meeting of the county’s joint initiative with Bruce was only the most recent expression. See “Should Grey County be shrinking?” *Blue Mountains Courier-Herald*, Sept. 22, 2010.

on a two-year consulting study on the county as an “intelligent community.”<sup>88</sup> Bruce County formally withdrew from any further cooperation with Grey on the ED file. Starting April 2012 they undertook a “gap analysis” to determine how ED functions should line up between lower tier municipalities, the county and senior levels of government. They also decided to revert to some basic ED promotional activities as well as trying to find something else to do on the ED front, activities such as a new “research and information management” function. Further, the county is releasing RFPs to purchase consulting services on four rather mundane ED projects at a cost of \$45,000. In addition, the county is launched on an ambitious program in support of a new Agricultural Development Program, wherein, the county will hire two new bureaucrats as “agricultural development specialists” with a budget of close to \$150,000 in 2013.<sup>89</sup>

Official Plans in both counties on the matter of manufacturing are as one might expect, unenthusiastic – this despite a strong presence of manufacturing employment in Grey County (See Table 5). Indeed, the Plans for both counties are replete with code words for anti-growth and anti-manufacturing positioning: “growth management” *qua* growth controls, “sustainable development”, “protecting natural heritage,” “encouraging economic diversity,” “integrity of the environment,” “minimize land use conflicts,” and so forth. The Grey County Plan offers the following on economic development:

Provide a policy framework which encourages growth and prosperity in the County, while maintaining and enhancing the County’s physical resources which are the basis (sic) of economic prosperity in the County. Section 1.1.4.

To direct land uses which are not related to or incompatible with agriculture away from agriculture areas. Section 1.6.4.

[G]rowth must be managed in a way that will minimize adverse impacts on agricultural and natural heritage. Section 1.7.<sup>90</sup>

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<sup>88</sup> See Grey County Budget, Planning and Community Development Committee, Nov. 27, 2012.

<sup>89</sup> See the minutes of the Bruce County Agricultural, Tourism and Planning Committee, Dec. 20, 2012.

<sup>90</sup> County of Grey Official Plan, with amendments, consolidated version, June 25, 2012.

In Bruce County, the Official Plan actually entertains a full section on “economic development” and encourages “new business investment,” but then places this growth under the control of policies in support of “sustainable economic development,” a “diversified economic base,” and other such progressive bromides. Essentially the county wants to attract home industries, broadband cable companies, tourist industries and other industries that are intent on the “reduction, reuse, and recycling of secondary waste material.” Section 4.5.1.<sup>91</sup>

Like Huron, Bruce and Grey counties marginalize manufacturing. The idea that a local or distant entrepreneur could emerge, or land in these counties, look for an enticing piece of land to place a manufacturing facility -- clean, flexible or otherwise -- and expect to be welcomed with open arms is hard to imagine – in contrast to Chatham-Kent or Oxford counties. Even if a local mayor might be predisposed, county land use policies, county planners, land use regulations, along with healthy development fees would soon make these counties unattractive to new manufacturing placements.

#### *Norfolk*

County of Norfolk ED functions suffer from a surfeit of somewhat unorganized and undisciplined elected leadership that willingly grapples with ED goals and stratagems, but then exhibits a limited willingness to devote sufficient financial resources for the business of economic growth. Norfolk County has both less and more than Huron County in terms of capacity. It suffers from fewer financial resources than Huron, but enjoys a hovering cluster of institutional partners and local politicians that are much more active, if, as we note, somewhat unfocused. Unlike Bruce and Grey, Norfolk has managed to produce an efficient, parsimonious, but well-thought out economic development strategy, developed in 2010, led by a well known consultant. Indeed, the SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis alone we are surmising was worth the consulting fee.<sup>92</sup>

Unfortunately, the county has effectively been forced to give up on attracting new manufacturing placements: county business parks and industrial sites simply do not have sufficient industrial land

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<sup>91</sup> County of Bruce Official Plan, consolidation June 2012.

<sup>92</sup> McSweeney & Associates, *Norfolk County Economic Development Strategy*, Nov. 11, 2011.

organized into properly sized parcels to attract serious attention from manufacturers and site selectors. Moreover, there are significant limitations on the provision of water and sewer services for industrial purposes – the *sine qua non* of local economic development. Apart from the special circumstances that granted the placement of Toyotetsu in 2005-06, in Simcoe, other similar auto parts plants are reported to be less likely prospects. Currently the Delhi industrial park is at capacity in terms of available sites, and the Simcoe business park while having 90 acres available, has been left in limbo given recent provincial “source water protection” legislation and the delayed implementation of regulations – a long-time endemic/institutional feature of water management in Ontario.<sup>93</sup>

Moreover, the much-touted SCOR (South Central Ontario Region) Economic Development Corporation – originally a 5-county ED organization including Brant, Elgin, Middlesex, Norfolk and Oxford counties was formed in 2009 and is currently suffering from a manifold, unfocused agenda, and the drag of competing local interests. Early on (March 2009) in its planning phase, SCOR commissioned a masterful manufacturing capacity analysis by Kelly O’Brien, principal of EDP Consulting, but any orientation toward developing manufacturing in the region or Norfolk County seems to have fallen by the wayside. Moreover, the SCOR EDC recently lost Elgin County as a member and Brant County appear to be AWOL. Indeed, Middlesex never really absorbed the spirit of this regional venture; Haldimand County never joined in, and Oxford simply does not need the SCOR EDC. With this declining interest, Norfolk appears to be the EDC’s principal sponsor and investor; dues payments by the others are declining or intermittent. SCOR EDC seems to be on its way to obsolescence.<sup>94</sup>

Happily for economic developers, the regional workforce planning boards in the South-Central region, principally financed by the Province, have taken up responsibilities on industrial and employment analyses. The SCOR EDC commissioned an excellent report from the Workforce Planning Board of

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<sup>93</sup> Confidential interviews, March 2013. Since the water contamination tragedy in Walkerton in 2000, the Provincial Government has been nearly paralyzed in terms of providing clear guidance on water protection – indeed the Province never did file regulations on the *Sustainable Water and Sewage Systems Act* passed in 2002. The Act was repealed and putatively replaced by the *Sustainable Water and Waste Water Systems Improvement and Maintenance Act*, 2010 (Bill 113). However, the Government did not bother to pursue this legislation past First Reading.

<sup>94</sup> Confidential interviews, March 2013.

Grand Erie in late 2012 – with assistance by the Elgin-Middlesex-Oxford workforce board. This document is replete with useful workforce status and development information.<sup>95</sup>

### *Summary and Conclusions*

Presumably it can be agreed that manufacturing production matters as great deal to rural areas of Ontario, and that contrary rhetoric found in the news media, in consultants' reports and Official Plans is just simply wrong-headed. Manufacturing matters because it has so historically and into the future, including the strong integration between this sector and agricultural production; a link fused by upstream and downstream economic linkages. To put it plainly, agriculture feeds manufacturing and manufacturing services agriculture. Without putting too fine a point on it, quite literally, manufacturing hires “surplus” agricultural labour. Many farm families could not now nor in the future survive without employment from the manufacturing sector or the local service sector that is sustained by manufacturing. Indeed, while not wishing to rub anybody's nose in the problem, broad swaths of agriculture are economically unsustainable, particularly too many small-scale family farms. Table 3 boldly makes this point.

And yet, we all hope it also should be quite obvious that manufacturing needs strong agriculture – just as manufacturing needs a strong service sector. These connections so evidently lie at the very definition of developed economies. Food production is central to strong developed economies. But food production cannot dominate developed economies; agriculture must be integrated into the economy as a whole; automation and economies of scale must always be given the benefit of the doubt, and technological development for agriculture is essential for survival. Faddish agricultural support programs like “buying locally” or “100 mile” radii programs are a waste of time and energy for governing agencies to promote. Most of all discriminatory land use policies, restrictive zoning and oppressive environmental regulation currently accepted by county councils, their hegemonic planners, and the provincial government need to be turned aside in favour of a more common sense, yes, laissez-faire approach to manufacturing placements. Laissez-faire is the hallmark of economic freedom, and economic freedom is

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<sup>95</sup> Workforce Planning Board of Grand Erie, *Industry & Employment Analysis – The SCOR Region*, Oct. 4, 2012.

the foundation of economic prosperity – an observation time-tested against all alternative totalitarian and planned economies around the world for millennia

There are numerous ways laissez-faire manufacturing can be enabled in addition to removing legal, zoning and regulatory impediments.

- Business interests can take the lead as we observed in the Toyota case in Woodstock, and governments can quickly facilitate manufacturing placements as matter of policy and law. (See also the Chatham-Kent case.)
- Local municipalities, comparable to Thames Centre and Stratford, can build adequate and accommodating infrastructure (water & sewer services and serviced industrial land), and they can keep business taxes and development charges in line.
- Governments can promote industrial development as high-end policy including taking comprehensive steps to account for, record and build industrial inventories, comparable to the Brantford case.

Just as there are numerous ways to enable manufacturing placements, so are there numerous ways to obstruct manufacturing.

- Counties can pursue land use policies (Official Plans), zoning and environmental regulation antithetical to manufacturing as we observe in Huron, Bruce and Grey counties.
- The provincial government can introduce mega-policies including (land use) policy statements, greenbelt legislation, green energy legislation, and regulatory frameworks such as “source water protection” in such places as Norfolk that are quite literally designed to obstruct and delay business investment and shut down manufacturing initiatives.
- Municipalities can engage in distractions as alternatives to real economic development such as the “downtown colleges” strategy in Brantford, and the “creative economies” strategies in the Perth and Elgin counties.

Often successful treatment of business investment is very much dependent on the quality of business-government relations, and the presence of strong state *and* strong business positioning.<sup>96</sup> Where the state is *dirigiste* as a deliberate measure, the relationship fails and economies, sectors or investments

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<sup>96</sup> Kimble F. Ainslie, *Financing the Gap: Small Capital and State Economic Development in Canada, 1943-2005*, Toronto and Copenhagen: The Copenhagen Institute, 2007, final chapter.

tend to wither away. Where business is granted penetrating access to governing councils and treated seriously as an instrument of economic growth and prosperity, good outcomes are typical, in the absence of internal state cronyism, patronage, corruption, and graft. As Francis Fukuyama has suggested, and most neo-liberals agree, strong, limited states are the *sine qua non* of good business-government outcomes.<sup>97</sup> Laissez-faire manufacturing needs strong, limited government.

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<sup>97</sup> Francis Fukuyama, *State-Building*, Ithaca: Cornell University Press, 2004, chapter one. See also Deepak Lal, *Reviving the Invisible Hand*, 2006.

### **About the Author**

Kimble F. Ainslie has been president of Nordex Research, a market development and public policy research firm, based in London ON since 1985, with an affiliate in the State of Florida since 1995. He is a Canadian citizen, and was a resident of the United States from 1995 to 2002. He is a graduate of Western, Queen's and York universities in Canada. Ainslie has edited and written two books and dozens of published articles and policy papers on business, politics and public policy in Canada, the United States and Europe. Starting in 1996, Dr. Ainslie became a member of the Southern Economic Development Council (U.S.), and later the Council for Urban Economic Development (U.S.) and the Economic Developers Council of Ontario (Can.). His books are:

- *Understanding Entrepreneurship*, co-edited with Rein Peterson, Dubuque: Kendall/Hunt Publishers, 1988.
- *Financing the Gap: Small Capital and State Economic Development in Canada, 1943-2005*, Toronto and Copenhagen: The Copenhagen Institute, 2007.