

**Economic
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Journal of Canada**

1994



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A MESSAGE FROM FRANCES LANKIN, MINISTER OF ECONOMIC DEVELOPMENT AND TRADE

In these days when the only constant seems to be change, it is perhaps appropriate that my congratulations to the Economic Developers Council of Ontario on another successful year of leadership should be accompanied by a few comments on the considerable change which has occurred since publication of the last Economic Development Journal of Canada.



Collectively we have been through a year of considerable change resulting from a protracted international recession and a major restructuring of world economies. Governments at all levels, and communities around the globe, have had to adapt to many harsh realities.

Here in Ontario we also find ourselves engaged in a major restructuring of our economy, with all of its accompanying challenges – and opportunities. I believe our future success will be measured by how well we have adapted to the change that has been imposed upon us.

For our part, the Ontario Government has been restructured, with job creation and economic development as its highest priorities. We have transformed the former Ministry of Industry, Trade and Technology into the Ministry of Economic Development and Trade, with a broadened mandate to stimulate economic growth within our communities. In that regard, we have created a Community Economic Development Secretariat, which administers our policy of helping communities, businesses, labour, consumer and community organizations develop local and provincial economic initiatives which will create jobs and improve the quality of life in the province.

Of course, the development of new markets for the export of Ontario goods and services, and the retention and expansion of investment in Ontario, remains a vital objective for creating jobs, achieving renewal and long-term economic growth. We are working closely with the Economic Developers Council to bring more small and mid-size Ontario companies to export readiness. With roughly 45 per cent of Ontario's gross domestic product dependent upon trade, our partnership in trade development can only result in valuable gains as we strive for economic renewal.

I look forward to working with you on these and other challenges in the months ahead.

Sincerely,

A handwritten signature in cursive script that reads "Frances Lankin".

Frances Lankin, Minister



Message from the Editor

In this year's Journal we had the luxury of selecting from many well-written articles and we thank all the authors for submitting their work. Distinctive themes became apparent, including issues concerning economic development in Ontario; Canada's competitiveness; several articles on information technology; and how the Economic Development Professional can be proactive in managing this new era of change.

We are thankful to all the sponsors and advertisers for making this fifth issue successful. In particular, I would like to thank the City of Vaughan Council, and the Chief Administra-

tive Officer Scott Somerville, for having supported this important initiative. In addition, many thanks to my secretary, Connie Bonsignore who kept me organized throughout the production process. My co-editor, as usual, has been very instrumental to the success of this and other issues of the Journal. Finally, I wish to thank my wife Pat, who has been a tower of strength and support in contributing her insight and editorial comments.

I hope that future editions will be as comprehensive and insightful as this 1994 issue. □

Message from the Co-Editor

Satisfaction comes when one's work bears fruit: this is the signal received by the authors and the rest of the journal crew when we find articles from this Journal used as references confirming that readers found useful material on our pages. With this edition of the Journal we are striving for more and more such satisfying signals.

We are witnessing here a healthy process of maturing and increasing expectations of the field of Economic Development Professionals. I could only echo Frank Miele's remarks regarding the rich variety of the topics covered in the

Journal this year. It is significant to note that the approaches to economic development represented here range broadly from discussions of fiscal policy measures at the national level to assist international investment, to various provincial policies aimed at technological advancement; from new economic ventures, advanced marketing and management techniques, to an account with several examples of local efforts to enable the direct involvement of members of our communities; from basic research into the operation of Economic Development Departments to how small business feels about some



Frank Miele, B.E.S., M.A.E.S.
*Commissioner of Economic Development
City of Vaughan, Ontario, Canada*

municipal policy and management issues.

The collective wisdom, experience and effort presented in this Journal will certainly help us along on the road to successful development in our communities. □

Eva Samery, MSc (PI)
*Professor
School of Urban and Regional Planning
Ryerson Polytechnic University*

Bell

Answering your call

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Ontario Making Strides in Community Economic Development

By: *The Honourable Frances Lankin*
Minister of Economic Development and Trade, Ontario

Community Economic Development (CED) is increasingly being recognized for the important role it plays in putting the ideas, commitment and skills of local people to work. The abilities of the communities can be applied to everything from the arts to manufacturing and service industries. Thus a project can be distinct to its community, with a design that reflects specific local needs.

For economic development professionals, this means broad-based economic planning, involving the active consideration of as many elements of the community as possible to achieve established goals.

CED demands leadership, responsiveness and the ability to identify issues and build a network for community action. It demands participation from across a community to plan and execute a strategy for development. Most of all, it harnesses the creativity and energies of communities so that they can take control of their own destinies. Focusing these local energies helps to prepare communities for the rapid changes and challenges that define life in the nineties.

This approach takes in a number of players whose diversity helps make new goals possible. For instance, the estimated 175,000 organizations in Canada's "social economy" (education organizations, health services, sports and religious organizations, social services and other agencies) have more than 31 per cent of the nation's income flowing through them. Canada's 6,916 cooperative corporations have upwards of 21 million members and assets worth almost \$106 billion.

Along with local economic development professionals, our community-based organizations not only have a strong voice and financial clout, they share an ideal for a

better community – and the commitment to achieve it. Never before has the need to focus our energies in the community been more important. Old boundaries are being eliminated by rapid urban growth, enhanced transportation networks and telecommunications linkages. Increasingly, we are open to new ideas and new ways to meet our needs.

Communities are increasingly looking for diversity – of workforce, of cultural make-up, of financial resources -- to build a community from the inside out. A strong community can lead to a strong local and provincial economy.

In fact, this approach is not limited to Ontario. In Europe, for instance, interest in CED has been growing. Britain, France, Germany and Spain are dealing with economic development at the local level, involving local organizations.

For instance, a very successful CED project was started by a parish priest in Mondragon, a Basque region of Spain, in the fifties. The program's first initiative was a technical school and its graduates went on to start new business enterprises. Then a local development bank was established, which today has assets of about \$22 billion and helps start and manage new ventures. Finally, an extensive network of cooperative worker-owned enterprises was set up.

Today Mondragon is a diversified industrial region producing fridges, stoves and computer-assisted production equipment, with its own research centres, its own health insurance system and pension scheme.

In Canada, similar projects are under way in communities across the country.

Saskatchewan's Community Bonds program, for instance, encourages people to invest locally through a Community Bonds



Frances Lankin was appointed Minister of Economic Development and Trade in February 1993.

Ms Lankin chairs the Cabinet and its Economic Development Committee. She

is also a member of Policy and Priorities Committee and Treasury Board.

Earlier as Minister of Health, she implemented reforms which invested more resources in health promotion, disease prevention and community-based care.

As Chair of Management Board and Minister of Government Services, she guided policies for the Ontario Public Service on same-sex benefits, employment equity, political rights, workplace harassment and the reform of labour-management relations.

Prior to being elected, Ms Lankin was provincial negotiator with the Ontario Public Service Employees' Union.

Corporation. Action may be initiated by a provincial rural development corporation or any group of six or more people including a mayor, local council member or reeve. To encourage participation, the Government guarantees an investment portion of up to \$2 million. Begun in July, 1990, to date the program has been responsible for creating 142 Bonds Corporations, with nearly 6,259 investors subscribing \$16.1 million and creating 304 jobs.

There are other cogent examples of CED at work. In Southwestern Ontario's "Technology Triangle", capital pools, which draw from local investors who want a return on their money as well as their communities to prosper, have a proven track record. The pool invests in the region's fledgling technology start-up companies, which have difficulty borrowing from traditional sources.

Local government and three local universities -- the University of Waterloo, Wilfrid Laurier, and the University of Guelph -- are involved. The schools contribute technology and business expertise and help recruit investors for the fund, which employs managers with international marketing expertise. This is particularly significant given that the region's small technology companies' viability is dependent on exports.

In Ontario, other grassroots-level initiatives targeted to specific groups are garnering very beneficial results.

The Calmeadow Foundation, a non-profit foundation helping needy people become self-employed, has established the First Peoples' Fund. This new credit union lends up to \$3,000 to aboriginal people who want to start or expand a business. The big difference is that loans don't require collateral. Loan repayment, including commercial rates of interest, is enforced through a "borrowers' circle" of up to seven people who approve and guarantee each others' loans. These circles meet regularly to decide upon loan requests, to provide social support for participants and to administer the repayments. To join, a native community must be approved by the band council and provide security for 25% of the loan fund. The Foundation guarantees 50% and the bank assumes 25% of the risk. Loan programs now operate in about 25 communities and about 200 native people, many of them women, are in the lending circles. Calmeadow pilot projects have also been established in Vancouver and Lockeport; there, entrepreneurs can borrow from a pool of capital borrowed from a bank or credit union and guaranteed by Calmeadow supporters.

In Gravenhurst, the pavilion in Sagamo Park is testament to the kind of goals that can be achieved when determined and resourceful members of a community, from skilled tradespeople to door-knocking volunteers, give of their time. Rebounding from the closure of local businesses and cultural centres, the community built a 5,000 square foot facility in a two-day flurry of activity that underscored this town's commitment to economic development. In the long term, the pavilion will anchor the community's economic development efforts and attract important tourism dollars to the area.

As we struggle with the recession, with its attendant job losses, plant closures and reduced financial stability, we see a new opportunity to address our needs in innovative ways.

In the past, achieving local economic development goals was often a hit-and-miss proposition. Different government ministries administer and support specific programs and activities, forcing communities to chase grant money and pitch their projects to whatever program in whatever ministry looked most promising. Often, the projects that received funding were not the

community's highest priority, but they happened to fit the program criteria when the government coffers were full.

That has changed. The Ontario Government's recognition of CED's importance has led to a close working partnership between the province's ministries, economic development professionals and a variety of private and public sector organizations.

jobsOntario Community Action

In our last provincial budget, \$300 million was earmarked for CED in a project called jobsOntario Community Action (JOCA). This move underscored CED's importance to Ontario, especially at a time when government operating expenses were being reduced.

Ontario's new approach through JOCA emphasizes coordination between ministries and community consultation in developing program criteria and selecting projects. We are reaching the turnkey practitioners of CED: economic development officers, town planners, municipal politicians, businesses, special interest groups and the general public.

JOCA and its three major components - Community Development, Community Financing and Community Capital -- brings a creative focus to activities that spark and sustain community-wide economic development:

Community Development helps to build communities' capacity to come together and set long-term priorities, and identify ways to turn local plans into actions;

Community Financing provides the means for communities to encourage local loans and equity investments in small and medium-sized businesses; and

Community Capital assists capital infrastructure projects such as the establishment of community-sponsored training facilities, the renovation of public or non-profit community facilities, waterfront development, tourist information centre construction or community tourist attraction development.

With this new approach, economic development professionals at the local level are being given a bigger role in economic planning, building partnerships and assisting local capital formation. At the same time, communities of interest (such as environmental or social action groups) and

communities of common bond (such as women and francophones) are being helped to strengthen their capacity for economic development activities. Special approaches have also been developed to meet the needs of the North, aboriginal people and target equity groups.

To date, **jobsOntario Community Action** has provided information to 7,000 community groups as well as individuals across the province. The response has been positive. There are more than 280 proposals currently under development, including 130 in Northern Ontario and 72 in Eastern Ontario, with 31 in the province's southern sector and 50 in Central Ontario. So far, in the first year of the program, \$30.3 million has been provided to support 190 economic-creation opportunities which generated 1550 person years in employment and more than \$90 million in local investment.

For municipalities, the province provides up to one-third of community capital funding support, covering up to 50 per cent of funding costs for smaller communities and communities of interest, or common bond.

CED is based on the idea that all members of the community must participate in planning, decision-making and implementation and that everyone must benefit. For municipalities, this means bringing all of the players to the table. For interest groups it means developing the skills that will enable them to take a seat at the table.

Building on those skills doesn't have to involve guesswork. In rural areas, for example, Ontario's Ministry of Agriculture and Food has initiated a program entitled "10 Steps to Community Action". To develop basic leadership skills, work with local leaders, understand and identify issues and build a community action network, participants get involved in a comprehensive course of presentations, panel discussions, lectures and information tours. It gives people an opportunity to gain both knowledge and confidence.

The Town of Niagara-on-the-Lake, for instance, is using JOCA funding to restore its historic Niagara Waterworks pump house for use as a visual arts centre. In a project combining heritage preservation with economic opportunities for local artists, this initiative will also benefit the local business community, thanks to the community's increased tourism potential.

Community Economic Development Act

Our government continues to develop innovative ways to help build on economic success in a community. Under the Community Economic Development Act, the Community Investment Share Program and Community Loan Fund offer the kind of access to capital that can mean the difference between getting a project off the ground or leaving it on the drawing board.

The Community Investment Share Program gives incorporated organizations, individuals and community organizations an opportunity to invest in new business expansion or new business start-ups in their community through the purchase of preferred shares in a Community Investment Share Corporation (CISC). The investors are backed by a Provincial Guarantee on their capital. Community groups, Indian Band Councils and municipalities can sponsor a CISC, investigate ventures and work with community leaders. These co-operatives or for-profit corporations offer groups a chance to diversify their local economy. Up to 40 CISCs are expected to be established, injecting more than \$50 million in direct equity investments into Ontario businesses.

Community Loan Funds (CLF) are applied to non-profit corporations controlled by community members that raise money from the general public through the sale of

Class A notes under a 3-5 year repayment schedule. The CLF's four major partners are the community, the borrower/entrepreneur, the financial institution and the province. With funding in place, the CLF then uses this capital (the principal is protected with a 100 per cent Provincial guarantee) to guarantee loans to micro-entrepreneurs ranging from \$500 to \$15,000. The CLF also offers technical assistance to borrowers to help them develop their business management skills, through mentoring with community business people or establishing a "peer" or "circle lending" group.

Also falling under the Community Economic Development Act are Community Development Corporations (CDCs), not-for-profit organizations that reflect the diversity of their communities. CDCs can be established by local governments, community groups, cultural groups, business, labour, co-operatives and others. As a focus for stimulated economic activity, the CDC coordinates the implementation of strategic plans, establishes a network for effective information and communication, provides advice and promotional services and promotes and coordinates investment for priority projects and local businesses. They set the stage for establishing stronger linkages and, ultimately, a more self-sufficient community.

The City of Burlington, for instance, established a CDC in April 1993 with the help

of a one-time start-up grant of \$100,000. Working with the Ministry of Municipal Affairs, the city has embarked on a variety of activities that include community strategic planning, exploring and promoting community investment in small business and local entrepreneurship, assisting economic partnerships that directly benefit the community and offering leadership training to interested community members and organizations.

This notion of partnership, team-building and leadership to ensure a bright economic future is a mainstay of CED. Across the province, there are numerous examples of how such an approach builds not only economic power, but a community's heritage and culture as well.

At its most basic level, community economic development is the community helping itself and investing in itself. It's a participatory process involving all community interests, founded on the development of a long-term community plan, a commitment of resources and an accessible base of services that help to prioritize and address a community's needs.

As a government, it's a commitment we share with our partners in the economic development community, municipalities, community groups and the general public. Together, in communities across Ontario, we are working to lay the groundwork for this province's future success. □

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