

Regions in the Knowledge Economy

Agrarian and Marine-Based but Connected

Prince County, Prince Edward Island



Marc L. Johnson

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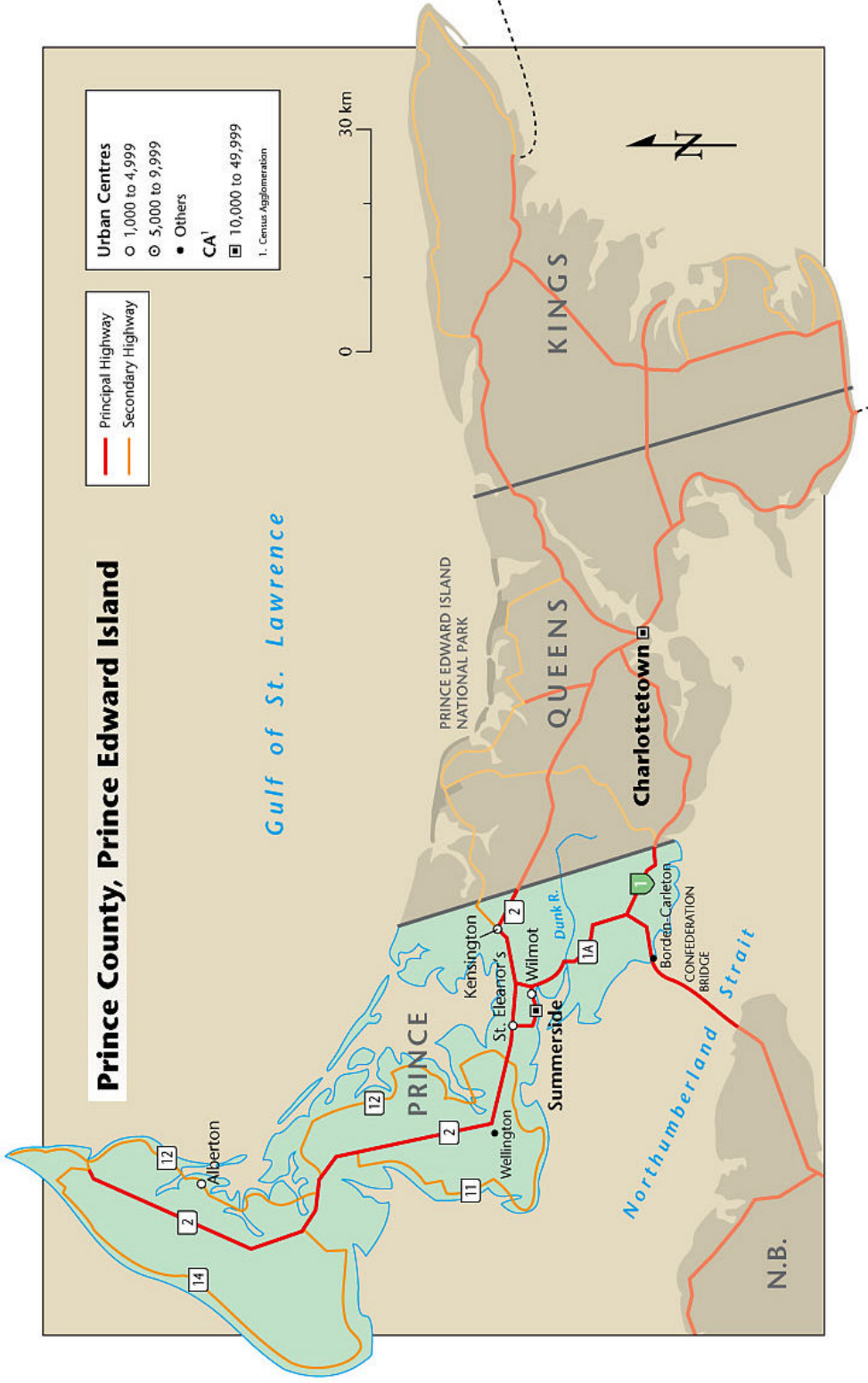
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ACOA provided support to this study through **Atlantic Policy Research Initiative (APRI)**. The objective of the Initiative is to enhance the capability of the Agency to coordinate and plan pan-Atlantic federal activities contributing to economic growth in Atlantic Canada.

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His fields of interest include social, community, and economic development. He has examined the issues of literacy and adult education, employability measures, the vitality of linguistic minorities, and the capacity building of communities in Canada, as well as in Africa, South America, and Eastern Europe.

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FOREWORD

This study of the Prince region of Prince Edward Island is part of the watch project on the peripheral economies of eastern Canada, a comparative research program covering a total of eleven regions: Abitibi-Témiscamingue, Saguenay-Lac-Saint-Jean, Bas-Saint-Laurent, Gaspésie and Côte-Nord in Quebec; Madawaska, Gloucester, Kent and Westmorland counties in New Brunswick; Prince County on Prince Edward Island; the West Coast of Newfoundland; and Southwestern Nova Scotia.

The objective of this research is to acquire a better understanding of the distance factors that affect the economy of Canada's peripheral regions, and to identify possible ways of revitalizing these regions. The approach taken involves a double comparison: first, a comparison of the eleven peripheral regions under study; and second, a comparison of eastern Canada and northern Europe, which share several characteristics in terms of geography and economic structure and policies.

The research program is conducted jointly by the Institut national de la recherche scientifique – Urbanisation, culture et société (Montreal) and the Canadian Institute for Research on Regional Development (Moncton). In addition, researchers from the Université du Québec à Chicoutimi, the Université du Québec à Rimouski, and the Université de Moncton are contributing to this initiative. The program is funded by Canada Economic Development for Quebec Regions and the Atlantic Canada Opportunities Agency.

The principal results of this regional study are reproduced in the final research report. It also makes a synthesis of the other regional studies, the review of the international literature on peripheral economies, the cross-Canada statistical analysis, and the comparative analyses done in cooperation with researchers from northern Europe. These documents are available on the Web at www.umoncton.ca/icrdr.

Marc L. Johnson
October 2001

I REGIONAL PROFILE

An island is said to be a piece of land surrounded by water, but does not every island also lie in the collective imagination? From the economic perspective that concerns us here, Prince Edward Island somehow manages to combine these three properties: land, sea, and imagination. Thanks to its reddish, fertile soil, the Island produces and exports large quantities of vegetables, particularly potatoes. Washed by the waters of the east coast of Canada, it makes the most of its marine resources: lobster, mussels, oysters, and fish. As the smallest province, with the longest bridge, a long history, and boasting superb beaches, along with the well-known fictional heroine *Anne of Green Gables*, the Island feeds the imagination of legions of tourists.

Because of its small size, Prince Edward Island is the only province that is also defined as an economic region of Canada, according to Statistics Canada's classification system. Nevertheless, we have chosen to limit our study to just one of the province's three counties, Prince County, which is characterized by its mainly rural economy, away from the Island's main urban centre, Charlottetown. In addition, Prince County has the province's main concentration of francophones, in the Evangeline area, and the second largest population centre, Summerside.

With regard to our comparative research program on the peripheral regions of eastern Canada, Prince County is the second smallest region under study (after Madawaska); in 1996, it had a population of 44,165 inhabitants. Summerside, its only census agglomeration, had just 16,000 inhabitants. As it is for the other Atlantic regions, Quebec City is its closest metropolitan centre of more than 500,000 inhabitants.

Prince County's economy, like that of several other regions under study, is highly seasonal and based on agricultural and marine resources. Its dependence on federal transfer payments is another of its characteristics. However, some dynamic characteristics that give this region an advantage are an appreciable increase in population, a high labour force participation rate, an economic revitalization of the Summerside area, and tourism development following the construction of Confederation Bridge.

In this first section, we will present the demographic and economic profile of the region.

Population

In 1996, Prince County had 44,165 inhabitants (see table 1), approximately one-third of the provincial population. Since 1971, population growth has been very weak, judging by the average annual growth rate of 0.2 percent for the period as a whole. By comparison, Canada's population grew by 1.1 percent annually over the same period. In Prince, the urban population increased more on average (0.3 percent) than the rural population (0.1 percent). This growth can be attributed to Summerside, in particular for the 1991–96 period, when most of this growth was recorded. It should be noted, however, that the majority (65.0 percent) of Prince's population is rural. At the provincial level, Charlottetown had the greatest population growth during this period. In the longer term, Statistics Canada anticipates that Prince Edward Island will be the only Atlantic province to continue experiencing a significant growth in population over the next fifteen years.¹

Table 1
Population, Canada and Prince County, Rural/Urban, 1971–96

	Total Population			
	1971	1981	1991	1996
Total Canada	21,568,255	24,083,395	26,993,800	28,528,015
Rural Canada	5,414,155	5,815,230	5,994,090	6,235,660
Urban Canada	16,154,100	18,268,165	20,999,710	22,292,355
Total Prince	42,080	42,550	42,945	44,165
Rural Prince	27,350	27,825	27,960	28,250
Urban Prince	14,730	14,725	14,985	15,915
	Average Annual Growth (%)			
	1971–81	1981–91	1991–96	1971–96
Total Canada	1.0	1.0	0.9	1.1
Rural Canada	0.7	0.3	0.7	0.5
Urban Canada	1.1	1.3	1.0	1.2
Total Prince	0.1	0.1	0.5	0.2
Rural Prince	0.2	0.0	0.2	0.1
Urban Prince	0.0	0.2	1.0	0.3

Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

1. Statistics Canada, CANSIM, *Population Projections, Canada, 1993-2016*, SDDS 3602 STC (91-520).

The francophone population of Prince County, for its part, has declined in recent decades. Maurice Beaudin has noted that the number of people in this region who have French as their mother tongue declined by 3.3 percent between 1991 and 1996.² This phenomenon is consistent with a general language shift from French to English noted in the province as a whole, by, for example, Michael O'Keefe³ or Muriel K. Roy.⁴

The Island's low population growth is due in part to mixed results where migration is concerned. Beaudin has noted that the mobility of the province's population has followed a cyclical pattern over the past thirty years: during periods characterized by new government programs, such as the construction of Confederation Bridge, the region had a positive net migration, while periods characterized by a decline in income support programs, for example, resulted in a migration loss.⁵ The preferred destinations of those leaving the province seem to be Halifax and Toronto, followed by Ottawa, Moncton, and Calgary. The recent data show no change in this net migration trend (+295 in 1996-97, -323 in 1997-98, +255 in 1998-99).⁶ With regard to intraprovincial migration, Beaudin notes a clear migratory trend in favour of the capital city region, at the expense of Prince County.⁷

The relatively stagnant population growth is probably also due to the aging of the population. As Beaudin's study (1998) shows, the age pyramid for the province as a whole has indeed changed, to the detriment of the under twenty-five years of age, which showed a loss of 2,000 young people between 1981 and 1991. Between 1997 and 1999, this same group lost another 900-some young people.⁸

2. Maurice Beaudin, *Les groupes et régions francophones au Canada : état de la situation en 1996*, a study prepared for the National Committee for Canadian Francophonie Human Resources Development, Ottawa (October 1999).

3. Michael O'Keefe, *Francophone Minorities: Assimilation and Community Vitality*, Ottawa, Canadian Heritage (New Canadian Perspectives), 1998. In this work, the author notes the following indices of language continuity in French: 0.60 in 1971, 0.64 in 1981, 0.53 in 1991, and 0.53 in 1996.

4. For her part, Muriel K. Roy noted assimilation rates of 40 percent in 1971, 37 percent in 1981, and 49 percent in 1991. See "Demography and Demolinguistics in Acadia, 1871-1991," in Jean Daigle, ed., *Acadia of the Maritimes* (Moncton: Chair of Acadian Studies, Université de Moncton, 1993), 141-206.

5. Maurice Beaudin, ed., *The Economic Region of Prince Edward Island*, Maritime Series: The State of the Regions (Moncton: Canadian Institute for Research on Regional Development, 1998), 27.

6. Data from the Demography Division of Statistics Canada, presented in Province of Prince Edward Island, *Twenty-Sixth Annual Statistical Review 1999* (Charlottetown: Economics, Statistics and Federal Fiscal Relations Division, Department of the Provincial Treasury, May 2000), 16.

7. Beaudin, ed., *The Economic Region of Prince Edward Island*, 28.

8. Province of Prince Edward Island, *Twenty-Sixth Annual Statistical Review 1999*, 17.

Similarly, table 2 sheds some light on the aging of the population of Prince County. The under fifteen years of age and the fifteen to twenty-five years of age are systematically declining, while the older age groups are growing. The trend seen here is undoubtedly due to the combined effect of the lower birth rate and the out-migration of young people. Such out-migration is characteristic of remote rural areas, especially those that have few institutions of higher learning likely to retain young people.⁹

The Summerside area has four technical and vocational training centres connected with Holland College and, in the same area, the Société éducative de l'Île-du-Prince-Édouard offers distance education programs for francophones. At the same time, data for the province confirm that the departure of young people to pursue postsecondary studies creates a migration loss in the order of 8 percent.¹⁰

Table 2
Population of Prince County, by Age Group, 1971–96

Age Group	1971	1981	1991	1996
Under-15-year-olds	14,430	10,915	9,945	9,770
15- to 24-year-olds	7,725	8,420	6,680	6,310
25- to 54-year-olds	12,390	14,795	17,445	18,720
55- to 64-year-olds	3,360	3,490	3,430	3,960
65-year-olds and over	4,175	4,920	5,430	5,400
Total Prince	42,080	42,550	42,945	44,165
	Average Annual Growth (%)			
Age Group	1971–81	1981–91	1991–96	1971–96
Under-15-year-olds	-2.51	-0.84	-0.30	-1.49
15- to 24-year-olds	0.79	-2.08	-0.95	-0.78
25- to 54-year-olds	1.63	1.51	1.18	1.60
55- to 64-year-olds	0.35	-0.16	2.42	0.63
65-year-olds and over	1.50	0.90	-0.09	0.99
Total Prince	0.10	0.08	0.47	0.19

Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

9. See in this regard Statistics Canada, *Rural Youth: Stayers, Leavers and Returners*, report submitted to the Rural Secretariat of Agriculture and Agri-Food Canada and the Atlantic Canada Opportunities Agency (Ottawa: Rural Secretariat, 2001).

10. Conversely, when it comes to trade/vocational studies, the province shows a 7 percent migration gain related to the influx of students. See Canadian Education Statistics Council, *Education Indicators in Canada* (Ottawa, February 2000), table 5.16.

Lastly, it should be noted that the aging of the population is undoubtedly also due to the appeal this province has for people of retirement age. Indeed, many people who were originally from Prince Edward Island come back to settle on the Island after having lived elsewhere during their years in the labour force.

In short, the out-migration of young people is a matter of great concern here, as it is in most of the regions. This is a fundamental issue, as young people are in the best position to increase the value of human capital to meet the needs of the knowledge-based economy. If young people leave to acquire an education or work experience outside the region and do not come back, it is clear that the region's integration into the new economy will be considerably slowed. Nevertheless, among the Atlantic provinces, Prince Edward Island remains the one least affected by the out-migration of young people.

Employment Sectors

The insular nature of this province is a determining factor in its economic structure, particularly in the Prince region. Prince County, which forms the western part of the Island, is bordered on the south and west by the Northumberland Strait and on the north and east by the Gulf of St. Lawrence. The sea therefore dominates its economic activity. The Confederation Bridge, which was officially opened in 1997 and spans the Strait from Cape Tormentine to Borden-Carleton, in the southeastern part of the county, plays an important role, particularly where the transport of goods and the tourism industry are concerned. In addition, the province and, to a lesser extent, Prince County, are also characterized by fertile soil, making agriculture one of the leading industries. We will now take a closer look at the economic structure of Prince County.

The breakdown of jobs by major industrial sector gives an idea of the structure of Prince's economy. Table 3 shows this distribution for Prince County and for Canada as a whole, in 1971 and 1996. From this table, it can be seen that the region had 20,035 jobs in 1996. The distribution of jobs by sector was fairly similar to that of Canada, except for the primary sector, where the proportion of jobs was considerably higher in the region. In Prince County, 17 percent of jobs were concentrated in the primary sector, while this sector accounted for just 5 percent of employment in Canada. Figure 1 illustrates the breakdown of jobs by economic sector in Prince and in Canada. From this figure, it can be seen that the primary sector is extremely large in Prince County, compared to the tertiary sector (services), while the secondary sector (processing) has the same relative share as at the national level. Our comparative research also shows Prince as the region with the largest primary sector, and the smallest tertiary sector. Prince's economy, like that of Prince Edward Island as a whole, is in effect based on the resources sector.

Table 3
Jobs by Major Industrial Sectors,
Prince County and Canada, 1971 and 1996

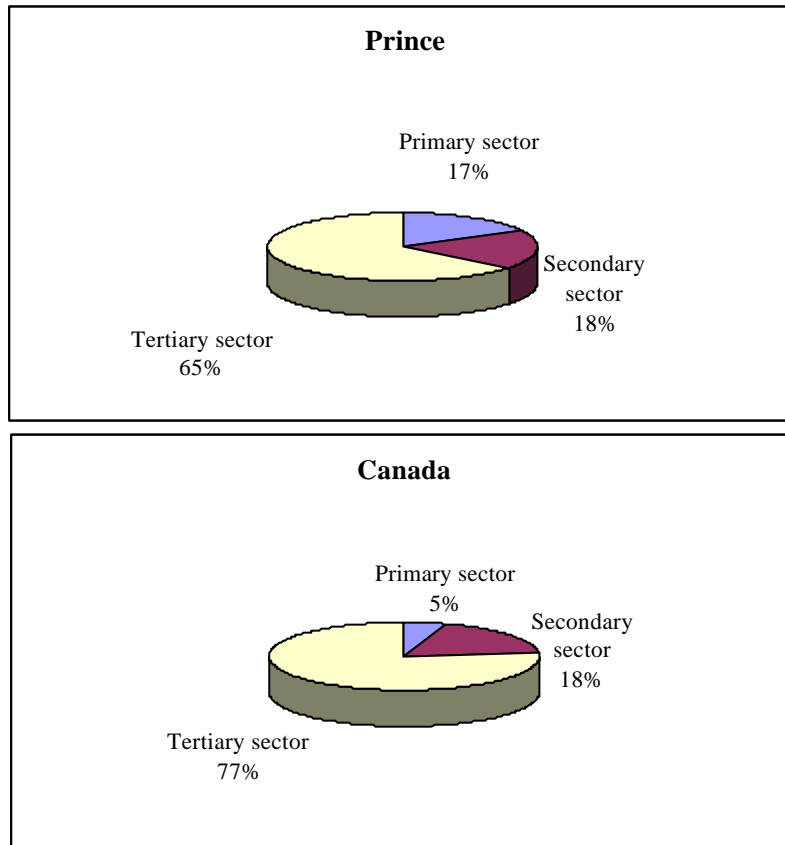
Industrial Sector	1971				1996			
	Prince		Canada		Prince		Canada	
	Number	%	Number	%	Number	%	Number	%
Primary sector	2,050	16	445,287	6	3,435	17	683,580	5
Trade	1,973	15	1,195,327	16	3,405	17	2,318,710	17
Manufacturing sector	1,549	12	1,577,117	21	2,445	12	1,799,015	13
Education	1,010	8	631,426	8	1,870	9	1,419,600	11
Hotels, restaurants, bed and breakfasts, camping, recreation	554	4	412,290	5	1,665	8	1,183,825	9
Public service	1,970	15	615,514	8	1,280	6	815,250	6
Transportation and communications	1,056	8	652,587	9	1,270	6	982,125	7
Construction	805	6	482,650	6	1,255	6	668,285	5
Health and social services	525	4	421,792	6	1,095	5	841,705	6
Personal services	472	4	330,613	4	840	4	846,190	6
Finance, insurance, real estate	255	2	344,689	5	590	3	740,010	6
Other	485	4	261,044	3	545	3	397,355	3
Advanced services – technology ^a	15	0	62,917	1	115	1	379,555	3
Advanced services – others ^b	50	0	80,901	1	225	1	271,820	2
Total	12,769	100	7,514,154	100	20,035	100	13,347,025	100

Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

^a Advanced services related to technology (engineering services, architects, information technology services, management services).

^b Other advanced services (lawyers, notaries, advertising, etc.).

Figure 1
Jobs by Economic Sector, Prince and Canada, 1996



Source: Statistics Canada, 1996 census; compiled by INRS – UCS.

To see how Prince's economy has changed in recent decades, let us look at the growth in employment by industrial sector since the 1971 census. Table 4 shows the principal employment sectors and tracks their growth, taking the year 1971 as a reference point (1971 = 100). It can be seen that all sectors grew considerably, except for the public service, which was at a standstill until 1991, then fell by one-third. In fact, between 1971 and 1996, the number of jobs in this sector, which includes jobs in the federal, provincial, and municipal administrations, dropped from 1,970 to 1,280, the equivalent of an average annual rate of decline of 1.6 percent. The other sector in which some stagnation can be seen is that of transportation and communications. Although it experienced some growth between 1971 and 1991, its numbers declined between 1991 and 1996. It

Table 4
Employment Growth, Major Industrial Sectors,
Prince County, 1971–96

	1971	1981	1991	1996
Primary sector	100	151	166	168
Manufacturing sector	100	107	154	158
Construction	100	125	128	156
Transportation and communications	100	106	129	120
Trade	100	119	135	173
Hotels, restaurants, bed and breakfasts, camping, recreation	100	174	236	300
Education	100	154	158	185
Health and social services	100	134	180	209
Public Service	100	98	100	65

Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

will be interesting to try to measure the impact that Confederation Bridge has had on this industrial sector.¹¹

The sector that shows the best growth is tourism (hotels, restaurants, bed and breakfasts, camping, recreation, etc.). In Prince County, from 1971 to 1996, this sector had an average annual growth rate of 4 percent, the same as for Canada. There were 1,665 jobs in 1996, compared with 554 in 1971. The manufacturing, health and social services, education, trade, and construction sectors, and the primary sector, for their part, recorded fairly similar growth, varying between 150 and 200 percent in twenty-five years.

We will now turn our attention to some of the most strategic economic development sectors for the Prince region: natural resources, the so-called “dynamic” industries, the public sector and the manufacturing sector.

Natural Resources Sector

Earlier, we noted the strong presence of the primary sector in Prince County. In the natural resources sector, we also include the processing activities related to natural resources. Table 5 shows the changes in the number of jobs in the primary sector (agriculture, hunting and fishing, and other activities), and in the primary processing of resources (food other than fish, fish, wood, and other products). The average annual

11. Other data on the transportation industry show that this sector reported 3.4 percent growth between 1997 and 1998 in Prince Edward Island. With a 21.7 percent growth rate, it was trucking that was most instrumental in this provincial growth, which gives some idea of the positive impact of the new bridge. See Transport Canada, *Transportation in Canada 1999: Annual Report*, (Ottawa, 2000), 42.

growth rates were calculated for the decades 1971–81 and 1981–91, for the period 1991–96, and the whole period under study (1971–96).

It can be seen that agriculture is the driving force behind the primary sector in Prince County, with almost 2,000 jobs since 1981. Its growth was very strong in the 1970s, but has been negative or stagnant since the 1980s. Overall, the growth of agriculture has been less significant in Prince than in Canada as a whole. At the provincial level, in 1996, Prince County had approximately one-third of the farms (756 out of 2,217) and 39 percent of the agricultural land area.¹² Agriculture's contribution to the province's Gross Domestic Product (GDP) is in the order of 11 percent, which makes it one of the island's principal industries.¹³

It is common knowledge that potatoes dominate the region's agriculture, as they do in the province as a whole. At the provincial level, in 1996, potatoes accounted for 48 percent of the agricultural revenue (\$138 million out of \$290 million). In 1999, they represented 56 percent of the agricultural revenue (\$195 million out of \$346 million).¹⁴ This crop has therefore continued to grow in significance, prompting concerns about a progressive erosion of the natural heritage of this small island province. Also in the late 1990s, there was a province-wide public debate on arable land management, and a clear desire to strike a balance between the economy and resource conservation can now be seen. The economic stakeholders now seem to favour the creation of added value over an increase in the volume of potato production.

The near-monoculture of potatoes in this province is also not without strictly economic risks. In November 2000, the province was proud of the fact it had recorded a \$32.8 million increase in the value of its exports of frozen French fries in the first quarter.¹⁵ But in May 2001, Agriculture Canada announced that the Island's agricultural revenue had dropped 50 percent in 2000, because of the "potato crisis." This crisis was due to a lengthy embargo imposed by the United States, for plant health reasons, on the importation of Prince Edward Island potatoes.¹⁶

12. Province of Prince Edward Island, *Twenty-Sixth Annual Statistical Review 1999*, 51.

13. Beaudin, ed., *The Economic Region of Prince Edward Island*, table 14, 92.

14. Province of Prince Edward Island, *Twenty-Sixth Annual Statistical Review 1999*, 46.

15. Prince Edward Island, *The Prince Edward Island Economy Progress Report 2000*, November 2000, 7 (see the following Web site: www.gov.pe.ca/photos/original/progress_2000.pdf).

16. Radio-Canada Atlantique (CBAF), radio news report, (30 May 2001).

Table 5
Jobs Related to Natural Resources, by Sector, Canada and Prince, 1971–96

	Number of Jobs				Average Annual Growth (%)			
	1971	1981	1991	1996	1971–81	1981–91	1991–96	1971–96
Primary Sector								
Agriculture								
Canada	238,607	457,648	483,283	433,605	6.1	0.5	-1.8	2.3
Prince	1,185	1,976	1,900	1,900	4.8	-0.4	0.0	1.8
Hunting and fishing								
Canada	23,953	31,915	34,216	33,560	2.6	0.6	-0.3	1.3
Prince	845	1,025	1,300	1,420	1.8	2.2	1.5	2.0
Other (forestry and mining)								
Canada	182,727	251,293	246,072	216,415	2.9	-0.2	-2.1	0.7
Prince	20	105	210	115	16.3	6.5	-9.5	7.0
Secondary Sector – Primary Processing								
Food, other than fish								
Canada	206,860	231,492	220,232	196,420	1.0	-0.5	-1.9	-0.2
Prince	484	516	910	975	0.6	5.3	1.2	2.7
Fish processing								
Canada	27,044	48,384	39,931	25,035	5.4	-1.7	-7.5	-0.3
Prince	615	685	955	845	1.0	3.1	-2.0	1.2
Wood processing								
Canada	92,472	135,436	108,650	133,085	3.5	-2.0	3.4	1.4
Prince	160	120	142	260	2.6	1.5	2.1	0.0
Other								
Canada	654,178	824,751	649,545	614,125	2.1	-2.1	-0.9	-0.2
Prince	115	145	215	125	2.1	3.6	-8.6	0.3
Rest of the Economy								
Canada	6,088,315	8,948,752	11,033,708	11,694,780	3.6	1.9	1.0	2.5
Prince	9,345	11,273	12,981	14,395	1.7	1.3	1.7	1.7
Total								
Canada	7,514,155	10,929,671	12,815,639	13,347,025	3.5	1.5	0.7	2.2
Prince	12,769	15,845	18,613	20,035	2.0	1.5	1.2	1.7

Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

Cattle farming and dairy farming are the other two significant agricultural activities in Prince County. In 2000, for example, it was estimated that 244 of the 377 farms in the West Prince area were dedicated to one of these two activities.¹⁷

Agri-food processing, excluding marine products, therefore figures prominently in the job distribution shown in table 5. It can be seen that this sector has doubled its work force since 1971. On average, the number of jobs in this sector has increased by 2.7 percent annually, a rate that, while not extraordinary, is one of the highest among the region's main industries. Since 1996, new jobs have undoubtedly been created in this sector, since the principal players in the agri-food processing industry, Cavendish Farms and McCain Foods, have expanded their infrastructure in the Summerside area. McCain Foods, whose head office is in New Brunswick, is a giant in the agri-food industry and the leading world-wide producer of frozen French fries. Its Borden-Carleton plant employs some 200 people. Cavendish Farms, owned by the Irvings — another New Brunswick family —, appears to be McCain's main competitor. Its New Annan plant, near Summerside, employs some 1,200 people, nearly 1,000 of them full time.¹⁸ In addition, in Slemmon Park, located in Summerside, the Small Fry potato chip plant, now called Humpty Dumpty, employs about one hundred people.¹⁹

The other significant industrial sector in Prince County besides agriculture is the marine products industry. First, from the resource development standpoint, fishing (combined in table 5 with hunting, which has negligible value) provided 1,420 jobs in the county in 1996, or more jobs than the public service. Employment growth in this sector was considerable over the twenty-five-year period, averaging 2 percent annually. A recent study by Maurice Beaudin on the fishing industry in eastern Canada offers a more detailed picture on a provincial scale. It shows that, with Newfoundland and Labrador, Prince Edward Island is the only province where close to 10 percent of jobs are related to this industry.²⁰ In 1998, 48,000 tonnes of marine products were landed in the province, for a value of some \$110 million, which gives a ratio (tonnage/price) of 2.27 for the Island, compared with a 1.72 ratio for eastern Canada.²¹ This means that the species landed in this province have greater commercial value. These include crustaceans (lobster, shrimp, etc.) and molluscs (mussels, oysters, etc.), which

17. Data estimated by Resources West Inc., *Five Year Business Plan 2001-2005*, Bloomfield (Prince Edward Island), 2001, 19.

18. Data obtained from the human resources department of the Cavendish Farms plant in New Annan (Prince Edward Island), 1 June 2001.

19. According to data compiled by the Slemmon Park management in April 2001.

20. Maurice Beaudin, *Towards Greater Value: Enhancing Eastern Canada's Seafood Industry* (Moncton: Canadian Institute for Research on Regional Development, 2001), 47.

21. *Ibid.*, 73.

represented 90 percent of the value of landings in 1999.²² The Prince region landed 46 percent of the provincial tonnage of lobster in 1999²³.

With regard to aquaculture, Prince Edward Island is doing very well. In 1999, it produced 80 percent of the mussels (13,890 tonnes) and 61 percent of the oysters (2,423 tonnes) cultivated in eastern Canada. Still, its total production value, \$23 million, falls short of that of the provinces that farm Atlantic salmon: \$158 million for New Brunswick and \$28 million for Nova Scotia.²⁴ The Prince region is, however, not the main aquaculture area.

To what extent are these marine products processed or, in other words, given added value? Beaudin reports that 76 percent of the exports of these products had undergone primary processing in 1999, for a value of \$142 million, while 0.2 percent had undergone secondary processing, and 24 percent, tertiary processing (\$45 million). This tertiary processing implies complex processes that use advanced technologies to produce cooked dishes with high added value. This is, of course, the ultimate goal of processors. In this regard, the Island ranks third, behind Quebec, which does tertiary processing of 35.3 percent of its exports, and New Brunswick 24.9 percent. The data in table 5 show that 845 jobs were related to fish processing in Prince in 1996, numbers that have been falling since 1991. This recent decline is undoubtedly related to the rationalization that took place in this sector and involved the merger of various companies, such as Polar Foods International and Royal Star. It also reflects the fact that a portion of the lobster catch landed was sent to New Brunswick for processing.

The forestry sector is negligible in Prince, as it is for the whole province, which does not have extensive forested areas. The region cannot count on this sector for its economic vitality, as the harvesting and processing of forest resources provides only 250 jobs.

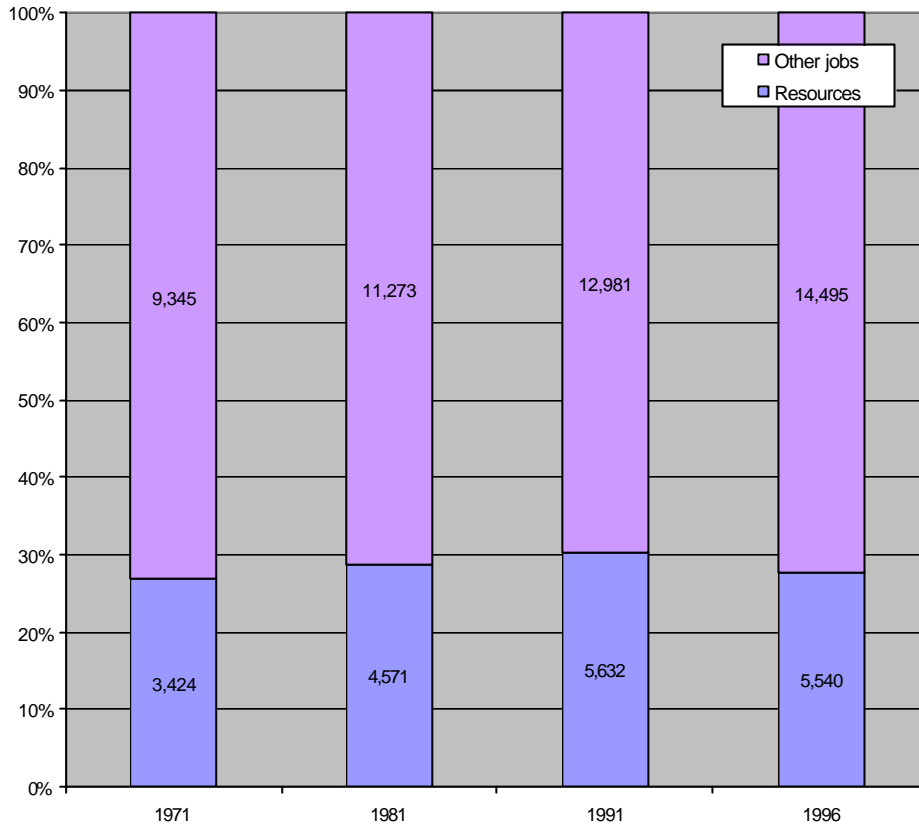
Generally, the resource-based industries show a certain stability. In terms of jobs, these sectors have had the same average growth as the economy as a whole, and their share of economic activity has remained more or less constant, hovering around 30 percent (see figure 2). In 1996, a total of 28 percent of the jobs in Prince were in the harvesting and processing sectors, which means the county ranks second in this regard among the regions under study in our comparative research program. The resource-based economy owes its continued stability to the strong performance of potatoes and the lucrative lobster landings. However, this specialization in two resources could prove risky over the long term.

22. Province of Prince Edward Island, *Twenty-Sixth Annual Statistical Review 1999*, 52.

23. *Ibid.*, 53.

24. Beaudin, *Towards Greater Value*, 73.

Figure 2
Resource-related Jobs, Prince, Selected Years



Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

Dynamic Industries

The new economy is based mainly on service sector jobs. The term “dynamic services” is sometimes used to designate jobs focussing on distribution, trade, and business services, as well as finance, insurance, and real estate. In addition, the medium and high value-added manufacturing sector remains a central element of the new economy, insofar as its products involve high technological input.

Table 6 presents the census data on jobs in these sectors. It will be noted that, overall, the share of jobs attributable to dynamic industries rose very slightly between 1971 and 1996, in Canada (from 25 to 26 percent) and in Prince (from 15 to 17 percent). In the latter case, it was wholesale trade, manufacturing, and the finance, insurance, and real estate sectors that pushed up the numbers. In 1996, the wholesale trade sector (1,120 jobs) and the transportation sector (960 jobs) were the largest of

the county's dynamic industries; these were followed by the finance, insurance and real estate sector (590 jobs).

Table 6
Jobs in Dynamic Industries, by Sector,
Canada and Prince, 1971 and 1996

Sector	1971				1996			
	Canada	%	Prince	%	Canada	%	Prince	%
Manufacturing – medium value added	382,616	5	60	0	527,225	4	125	1
Manufacturing – high value added	113,864	2	35	0	160,565	1	120	1
Transportation	397,945	5	782	6	539,205	4	960	5
Communications	254,643	3	274	2	442,920	3	310	2
Finance, insurance, real estate	344,689	5	255	2	740,010	6	590	3
Advanced technological services	62,917	1	15	0	379,555	3	115	1
Wholesale trade	329,305	4	502	4	714,100	5	1,120	6
All dynamic industries	1,885,979	25	1,923	15	3,503,580	26	3,340	17
Rest of the economy	5,628,176	75	10,846	85	9,843,445	74	16,695	83
Total	7,514,155	100	12,769	100	13,347,025	100	20,035	100

Source: Statistics Canada, 1971 and 1996 censuses; compiled by INRS – UCS.

On the whole, compared with the national data, it can be seen that Prince County is lagging behind when it comes to integrating into the new economy, and that the situation has changed little over the past twenty-five years. We will see further on what the current development strategies are in this regard.

Public Sector

If there is one sector that has changed substantially in Prince Edward Island, and therefore in Prince County, it is the public administration sector. In table 4 it can be seen that the public service is the only sector that has experienced a marked decline since 1971. Table 3 clearly shows that the number of jobs in this sector fell from 1,970 in 1971 to 1,280 in 1996 in this region. This significant drop was due to the economic problems encountered in the early 1990s. The economic recession that hit Canada led to a reduction in federal equalization payments to the Island's government, which began to record disturbing budgetary deficits. The province therefore imposed severe spending

cuts, which translated into the salaries of all public servants being rolled back by 7.5 percent, effective April 1994, and 735 positions being trimmed from the provincial public service in five years. The administrative structures (government departments, counties, school boards, etc.) shrank as a result.²⁵

Still, insofar as it includes jobs in the education and health and social services fields, the public sector remains, as Beaudin suggests, “the backbone of the Island economy.” Thus, in 1996, this sector accounted for 4,245 jobs in Prince, or one-fifth of the labour market. These jobs pay fairly well and are more stable than the seasonal jobs in the resource-related sectors. In addition to positions in the provincial government, public sector jobs also include the 700 or so federal employees of the GST processing centre in Summerside. This centre was created in 1993 to offset the closure of the Summerside military base, which took 800 or so jobs out of the local economy.

Manufacturing Sector

The manufacturing sector as a whole is the third largest industrial sector from the point of view of jobs in Prince. While the number of manufacturing-related jobs increased by about 60 percent from 1971 to 1996, this sector still accounts for 12 percent of regional employment (see table 3). The manufacturing sector is therefore very stable, and the socio-economic stakeholders will have to shake up this stability if they want to succeed in developing this sector. In this regard, the development of the Slemon Park, begun in 1991, offers some interesting prospects, at least for the Summerside region.

The employment structure in Prince County is characteristic of a peripheral rural area. The agricultural and maritime economy is dominant, but here it enjoys a certain stability, owing in particular to an increase in agricultural production and agri-food processing. The manufacturing sector is having difficulty diversifying, although the Prince region has benefited from the economic revitalization of Summerside in the past ten years. The services sector is developing, but at a slower rate than elsewhere in Canada. Since this is a small region, the public sector (public service, education, health and social services) accounts for a significant share (20 percent) of jobs. By and large, this picture, which reveals a certain stability in traditional jobs and some noticeable breakthroughs in the manufacturing sector, means that economic development leaders can look forward to better days.

Activity and Income

The population of Prince Edward Island is particularly active in the labour market. Statistics Canada *Labour Force Survey* data provide information on the adult population (fifteen years and older) participating in the economy (employed or

25. See the analysis proposed by Beaudin, ed., *The Economic Region of Prince Edward Island*, 129–32.

unemployed). As there is no disaggregated data for the Prince region, we must use the statistics for the province as a whole and those related to the greater Summerside area (see table 7). With regard to labour market participation, the Island looks good: its participation rate is not only higher than that of Canada as a whole, but is also the highest among the regions selected for our research program. For the past fifteen years, the participation rate has remained relatively stable in the island province, holding steady around the national average, but in recent years its growth has been remarkable, reaching 67 percent in 2000. In Summerside, the picture is about the same.

This strong labour market participation can be attributed to a number of factors. First, because of the province's small size, the Island's labour market includes a significant proportion of public sector jobs. In addition, jobs on the island are largely seasonal, especially in the agriculture, fishing, and tourism sectors. Even in Summerside, the number of employees at the federal GST processing centre is subject to seasonal variations. In tourism and the resources sector, jobs are relatively low-paying and do not require a very skilled work force, which facilitates participation by young people.

At the same time, the seasonal nature of the economy leads to a high level of unemployment. Table 8 shows the changes in the unemployment rate in the regions selected for our research program. From this table it can be seen that the Island has generally maintained a rate of four to seven points above the Canadian average. However, following the national trend, the unemployment rate on the Island has markedly declined since 1994, reaching its lowest level (12.0 percent) in 2000. In Summerside, except for the early 1990s, the unemployment rate is generally two or three percentage points lower than the provincial average.

Finally, this labour force structure is reflected in income. As table 9 shows, the average income per capita in Prince County has historically been below the Canadian average, but that gap is gradually shrinking. The average income in Prince County was 60.4 percent of the national average in 1971, and 78.7 percent in 1996. Incomes in rural areas are significantly lower than those in urban centres. However, the situation in Prince County, when compared with Canada as a whole, is better in rural areas than urban areas. Overall, there has been a gradual decrease in the gap between regional and national figures.

By looking at the distribution of income sources, we can gain a better understanding of changes in income levels in Prince County. Figure 3 shows the percentage of income generated by each of the three major income sources: employment, government transfers, and other sources (investments, etc.). Labour income accounts for between two-thirds and three-quarters of total income, with no marked difference between rural and urban areas. However, the situation seems to be less clear-cut when it comes to income from government transfers, which

Watch Project ... Prince County, Prince Edward Island

Table 7
Labour Force Participation Rate (%), by Economic Region, 1987–2000

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Canada	66.4	66.8	67.2	67.1	66.5	65.7	65.4	65.2	64.9	64.7	64.9	65.1	65.6	65.9
Newfoundland	54.1	55.1	56.0	56.7	56.2	54.2	53.6	53.6	53.0	52.1	52.5	53.9	56.3	55.8
030 - West Coast-Northern Peninsula and Labrador	58.3	56.3	57.3	55.5	55.5	53.4	51.0	54.0	51.4	51.5	51.3	53.0	55.2	55.1
Prince Edward Island	63.2	64.2	65.2	65.4	64.9	65.6	65.3	65.3	65.1	66.0	66.1	65.7	66.4	66.9
Summerside	63.7	62.3	66.7	63.5	59.0	62.5	63.1	65.3	63.2	68.5	68.0	65.6	68.2	61.5
Nova Scotia	59.9	60.7	61.3	62.0	61.6	60.2	60.2	60.2	59.6	59.5	59.9	60.7	61.0	61.7
240 - Southern	51.1	55.6	55.6	57.2	57.4	57.2	54.4	54.9	53.3	53.0	55.5	56.5	58.7	56.6
New Brunswick	58.4	59.1	59.9	60.0	58.6	58.9	59.1	58.6	59.4	58.6	59.9	60.7	61.0	61.6
310 - Campbellton-Miramichi	51.7	51.4	53.2	53.7	50.2	49.3	50.6	50.7	52.4	51.4	56.1	55.4	54.0	55.2
320 - Moncton-Richiboucto	60.8	60.8	61.3	61.4	61.0	62.5	62.4	60.7	63.5	64.1	62.7	62.7	63.7	64.8
350 - Edmundston-Woodstock	56.5	58.4	58.3	55.9	52.7	54.4	54.9	57.4	56.9	54.7	57.4	60.2	60.5	61.3
Quebec	63.5	63.7	64.1	64.2	63.5	62.5	62.2	62.3	62.1	61.9	62.1	62.6	62.8	63.2
410 - Gaspésie-Îles-de-la-Madeleine	49.4	52.0	52.5	47.4	45.6	43.8	46.1	47.2	46.3	45.5	51.1	49.5	50.3	51.5
415 - Bas-Saint-Laurent	55.7	56.2	53.1	55.3	57.6	55.9	54.6	56.7	57.4	57.1	57.9	54.9	57.6	54.2
465 - Abitibi-Témiscamingue	58.1	62.1	64.3	60.9	60.4	59.5	59.0	59.9	62.1	61.4	63.7	61.9	62.8	63.6
475 - Saguenay-Lac-Saint-Jean	57.8	57.4	55.8	59.0	58.8	57.3	56.8	53.9	57.5	57.2	57.9	58.1	59.7	59.5
480 and	61.9	64.8	66.1	68.9	66.9	62.3	63.0	63.8	63.5	62.5	62.4	58.3	63.8	62.3
490 - Côte-Nord and Nord-du-Québec														

Source: Statistics Canada, *Labour Force Historical Review*, 2000 (CDIT30AN).

Table 8
Unemployment Rate (%), by Economic Region, 1987–2000

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Canada	8.8	7.8	7.5	8.1	10.3	11.2	11.4	10.4	9.4	9.6	9.1	8.3	7.6	6.8
Newfoundland	18.1	16.2	15.5	16.9	18.0	20.2	20.4	20.2	18.1	19.3	18.6	18.0	16.9	16.7
030 - West Coast-Northern Peninsula and Labrador	23.0	19.5	16.1	17.6	19.5	22.2	24.4	22.5	17.6	21.0	18.9	19.8	19.3	17.8
Prince Edward Island	12.5	12.4	13.7	14.6	16.7	18.1	17.6	17.2	15.0	14.7	15.4	13.8	14.4	12.0
Summerside	12.5	11.3	15.8	15.1	21.7	18.7	16.9	17.3	12.7	13.8	13.8	11.9	10.2	10.0
Nova Scotia	12.1	10.2	9.8	10.5	12.1	13.2	14.3	13.5	12.1	12.3	12.1	10.5	9.6	9.1
240 - Southern	10.5	8.3	7.8	8.9	10.9	11.2	12.1	12.8	12.2	12.1	12.1	12.0	10.4	9.8
New Brunswick	13.2	11.9	12.1	12.1	12.8	13.0	12.5	12.4	11.2	11.6	12.7	12.2	10.2	10.0
310 - Campbellton-Miramichi	15.4	14.9	16.3	17.4	17.2	18.1	17.9	18.3	14.0	13.7	17.0	19.0	16.7	16.1
320 - Moncton-Richiboucto	13.7	10.9	11.1	11.5	11.6	12.1	12.1	11.7	11.6	12.4	12.7	11.0	9.5	8.6
350 - Edmundston-Woodstock	11.9	11.7	12.4	11.0	13.0	11.6	9.5	8.8	9.6	8.9	10.5	10.2	8.9	8.9
Quebec	10.2	9.5	9.6	10.4	12.1	12.7	13.3	12.3	11.4	11.9	11.4	10.3	9.3	8.4
410 - Gaspésie-Îles-de-la-Madeleine	16.4	16.4	19.7	20.4	18.2	21.0	22.1	21.6	20.6	18.7	23.5	22.0	20.8	20.0
415 - Bas-Saint-Laurent	12.3	12.4	13.4	13.0	14.7	14.5	16.3	15.3	13.1	14.1	16.2	13.6	10.2	10.3
465 - Abitibi-Témiscamingue	8.7	9.7	11.0	13.3	13.8	13.7	14.0	12.9	11.5	10.9	14.4	15.0	13.4	11.7
475 - Saguenay-Lac-Saint-Jean	13.6	13.1	12.0	13.2	14.9	14.8	15.7	14.9	14.6	14.3	14.5	14.3	11.5	10.4
480 and	12.5	11.8	11.1	10.9	15.5	12.9	14.4	14.5	13.4	15.1	14.8	14.0	14.4	12.6
490 - Côte-Nord and Nord-du Québec														

Source: Statistics Canada, *Labour Force Historical Review*, 2000 (CD1T30AN).

Table 9
Average Income Per Capita, Canada and Prince County, Selected Years

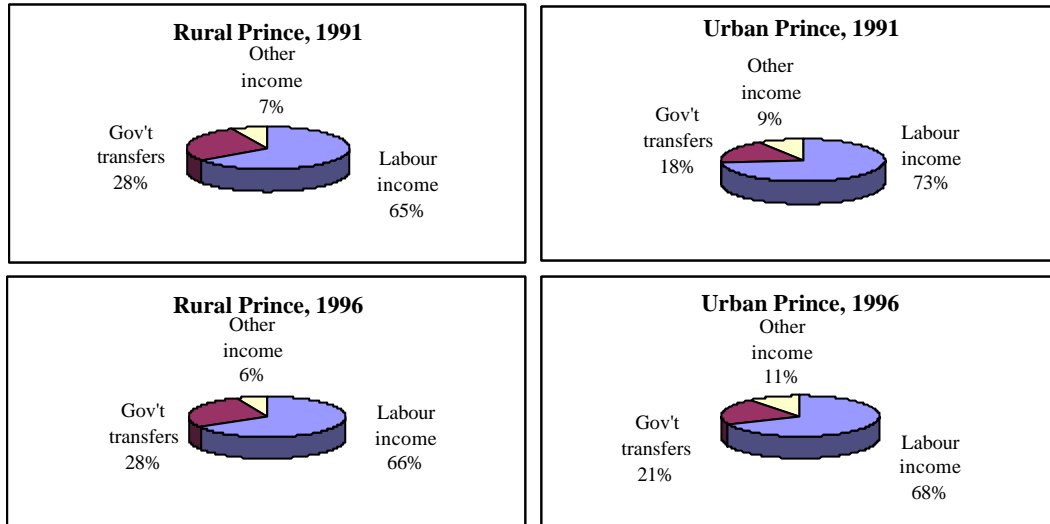
	1971	1981	1991	1996
Total Canada	\$2,701	\$8,529	\$17,271	\$18,473
Total Prince	\$1,632	\$5,597	\$12,654	\$14,531
Prince/Canada (%)	60.4	65.6	73.3	78.7
Rural Canada	\$1,875	\$6,693	\$13,827	\$15,342
Rural Prince	\$1,372	\$5,116	\$12,135	\$13,908
Prince/Canada (%)	73.2	76.4	87.8	90.7
Urban Canada	\$2,977	\$9,114	\$18,255	\$19,349
Urban Prince	\$2,116	\$6,505	\$13,623	\$15,636
Prince/Canada (%)	71.1	71.4	74.6	80.8

Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

accounts for up to 28 percent of total income in rural areas, a figure that remained unchanged from 1991 to 1996, and was 10 percentage points higher than the figure for urban areas in 1991, and 7 points higher in 1996. Curiously, in urban areas, income from transfer payments rose by 3 percent between 1991 and 1996. Seasonal work and recourse to employment insurance benefits in all likelihood account for much of that relative dependence on transfer payments. In his 1998 study, Beaudin also points out that the frequency of unemployment (the percentage of individuals reporting income and having collected employment insurance benefits) was higher in Prince County (53.2 percent) than in the province as a whole (44.8 percent), the Maritimes (36.2 percent) and Canada (24.1 percent).²⁶

26. 1992 data compiled by Beaudin, ed., *The Economic Region of Prince Edward Island*, 62.

Figure 3
Sources of Income, Prince County, Rural/Urban, 1991 and 1996



Source: Statistics Canada, 1991 and 1996 censuses; compiled by INRS – UCS.

In a recent study, Marc LeBlanc conducted the same analysis for Prince-Edward Island's francophone communities. We have reproduced some of his data in table 10.²⁷ The three regions shown in the table (Evangeline, Prince-West and Summerside-Miscouche) take in the majority of the francophone population of Prince County. In each of those regions, francophones show a greater dependence on income from transfer payments than do anglophones.

27. Marc LeBlanc, *Profil socio-économique des cinq régions acadiennes et francophones de l'Île-du-Prince-Édouard*, final report presented to the Société Saint-Thomas-d'Aquin, (April 2000).

Table 10
Average Income From Transfer Payments, Per Capita, Prince County, by
Mother Tongue and Region

Region	Mother Tongue-French	Mother Tongue-English
Evangeline		
Total transfers (\$)	6,702	5,900
Percentage of total income	33.1	36.1
Prince-West		
Total transfers (\$)	8,189	7,166
Percentage of total income	46.3	36.1
Summerside-Miscouche		
Total transfers (\$)	6,868	5,355
Percentage of total income	33.9	24.1
Province		
Total transfers (\$)	6,839	5,900
Percentage of total income	30.9	26.6

Source: Marc LeBlanc, *Profil socio-économique des cinq régions acadiennes et francophones de l'Île-du-Prince-Édouard*, final report submitted to the Société Saint-Thomas-d'Aquin, April 2000, table 7.

It is interesting to note that Prince County has a high labour force participation rate. In fact, the socio-economic development stakeholders we met with emphasize that this is one of the factors in the revitalization of the regional economy. However, the region has to deal with a seasonal economy, and although sufficient labour supply during the summer is essential to the traditional economy, it cannot alone stimulate economic diversification and help the region make the move into the new economy. The education and skill level of the labour force is a factor in the shift to the knowledge economy.

Education and Skills

Labour force education and skills development is a strategic factor in economic development, particularly with respect to the “knowledge” economy of today. In that regard, Prince County has made remarkable progress in the last twenty-five years. Table 11 gives an overview of that progress from the perspective of strategic skills for the new economy.

The ninth grade is often seen as the lowest level of skilled labour force. In 1971, 34.4 percent of the working-age labour force (fifteen years of age and up) in Prince County had not reached the ninth grade which was fairly close to the national average. Improvement was slow, but in 1996, only 18 percent of Prince County’s labour force did not have ninth grade, compared with 12.1 percent in Canada. Despite that progress, the challenge remains — encouraging that one-fifth of the potential work force to reach a level of competence at which they are

Table 11
Level of Education, Fifteen Years of Age and Over, Canada and Prince County, Selected Years

Education Level	1971		1981		1991		1996									
	Canada		Prince		Canada		Prince									
	Number	%	Number	%	Number	%	Number	%								
Less than grade nine	4,744,840	31.2	11,340	34.4	3,731,170	20.0	9,020	28.5	2,959,765	13.9	7,065	21.4	2,727,085	12.1	6,185	18.0
University degree	719,890	4.7	535	1.6	1,490,040	8.0	1,345	4.3	2,419,645	11.4	1,715	5.2	3,000,675	13.3	2,265	6.6
Certificate or diploma in applied sciences, engineering, agricultural sciences, mathematics or physical sciences									905,230	4.2	700	2.1	1,107,880	4.9	780	2.3
Diploma or certificate from trade or technical school									1,799,415	8.4	2,760	8.4	1,999,465	8.8	2,930	8.5

Source: Statistics Canada, 1971, 1981, 1991, and 1996 censuses; compiled by INRS – UCS.

functionally literate. Experience tends to show that individuals who do not have a ninth grade often slip into functional illiteracy. Even jobs in the resource sector require basic skills and knowledge in calculation, language, communication, and technology. Agri-businesses and inshore fishers, for example, use computerized equipment on a daily basis.

The new economy tends to value specialized knowledge that is obtained primarily in colleges and universities. That is why the university graduation rate is one of the key indicators of a region's capacity to make the shift to the knowledge economy. In that respect also, Prince County has shown encouraging growth, with the percentage of university graduates rising from 1.6 to 6.6 percent between 1971 and 1996. However, that rate was still less than half the 1996 rate of 13.3 percent for Canada as a whole. The percentage of university graduates in Prince County has still not reached the 1981 national level. Furthermore, at 2.3 percent, the percentage of degrees in high-tech sectors is still very low. There is only one university in Prince Edward Island, an English-only university in Charlottetown.

Given that Prince County's economy is basically a rural economy, it is interesting to note that the percentage of technical diplomas (8.5 percent) is almost the same as the percentage for Canada overall (8.8 percent). Holland College provides most of the technical and vocational training in the region, and has four training centres in Summerside and one in Tignish. For francophones, the *Société éducative de l'Île-du-Prince-Édouard* offers various basic, vocational, college, and university courses via its distance learning centre in Wellington. During the last year (2000–01), approximately 250 persons took courses at those centres.²⁸

Recent figures published by the Canadian Education Statistics Council shed light on the potential for change in the university degree situation. In 1997–98, the province had 1,663 full-time and 144 part-time college students, and 2,452 full-time and 482 part-time university students.²⁹ Also, government spending on education has increased in Prince Edward Island more than in other Canadian provinces over the last ten years.³⁰

The skill level of the labour force is, without a doubt, a factor in socio-economic development, whether that development involves the traditional economy, still strong in Prince County, or the new economy, to which the county's key stakeholders aspire.³¹

28. Data obtained from the Société éducative de l'Île-du-Prince-Édouard, 8 June 2001.

29. Canadian Education Statistics Council, *Education Indicators in Canada*, tables 3.17 and 3.18.

30. The index of spending on education in 1998–99 compared with 1988–89 (= 100) was 113 for Prince Edward Island, but fell in Newfoundland and Labrador (89), Nova Scotia (96), and New Brunswick (97), with a less marked increase in Quebec (106). It should be noted that spending per capita was lower in Prince Edward Island than in other provinces to begin with. See *ibid.*, table 3.22.

31. See Maurice Beaudin and Sébastien Breau, *Employment, Skills, and the Knowledge Economy in Atlantic Canada* (Moncton: Canadian Institute for Research on Regional Development, Maritime Series, 2001).

From that perspective, the province seems to have made considerable effort to improve the skills of its work force and provide its young people with better training opportunities. But the challenges remain. The second part of this study addresses those challenges and the strategies for overcoming them.

II

THE CHALLENGES OF ECONOMIC DEVELOPMENT

It is our belief that the challenges of economic development are targets that must first be identified by regional economic players. Those challenges may consist of overcoming problems or drawing on collective ideals, but they call for the implementation of a number of initiatives. A researcher can, in the best-case scenario, help point out those challenges, but the targets have no real value unless they are rooted in the realities experienced by those players themselves. For that reason, the elements we will be discussing in this second section are based on discussions we had with socio-economic stakeholders in Prince County.³²

The Knowledge Economy

Although it has not yet become an integral part of the peripheral regions we are studying, the new economy is on everyone's lips. Today, government, economists and other analysts, as well as local stakeholders, link the economy with knowledge. Things are no less different in Prince County, or in the province. An economic promotion magazine recently reported that Canada's smallest province is an IT giant.³³ Becoming an IT giant was the goal of the provincial government when, for example, it created TechPEI, a crown corporation mandated to foster growth in the technology industry,³⁴ and when it joined with the federal government and institutes of higher learning (University of Prince Edward Island and Holland College) in the Knowledge Economy Partnership.³⁵ Traditionally based on its natural resources, the Island's economy is now turning to its human resources.

A Provincial Priority

If the reconfiguration of departments is any indication of the government's intentions, regrouping the Department of Technology and the Environment with the Department of Development to create the Department of Development and Technology, in 2000, set the tone for government aims for Prince Edward Island. This change happened at the

32. "We" means not only the person who wrote this regional study, but the members of the INRS team who conducted field studies, and, in particular, our colleague Maurice Beaudin of the CIRRD, whose studies provided us with extensive information.

33. Julie V. Watson, "History in the Making: Canada's Smallest Province Emerging as IT Giant," *Atlantic Business Magazine* 12, no. 3 (2001): 10.

34. TechPEI Web site: www.techpei.com

35. *Knowledge Economy Partnership* Web site: www.gov.pe.ca/kep

same time as the province issued a new economic development strategy, titled *Bridging Tradition and Technology*.³⁶

The underlying philosophy of the new strategy is building on existing economic foundations, i.e., a resource-based economy. As we have seen, resource-based industrial sectors are not in decline at all, and have improved their performance through technology. However, technology has also taken jobs from workers, who have to find new ones. That is why economic diversification is so important, and the province is counting on the new economy to provide jobs for those displaced workers.

The provincial agency mandated to promote business growth and attract new investment, PEI Business Development, has targeted six sectors of excellence, four of which are based on the new economy: information technology, aerospace, life sciences, and film and new media.³⁷ Given that the proximity of a political centre is an asset for agencies seeking government support, obviously it is the provincial capital, Charlottetown, which will benefit from that initiative. Charlottetown is home to the major call centres, the University of Prince Edward Island and research centres, and was chosen by Industry Canada as the site for the province's Smart Community pilot project. Because of its critical mass of businesses that use information technology, this urban area enjoys the benefits of a state-of-the-art communications system.

The star of the Island's new economy will be the recently announced Atlantic Technology Centre. This new centre will be built, in fact, in Charlottetown, at an estimated cost of \$20 million, and will be equipped with leading-edge technological services and equipment: office space, an IT training centre, a business incubator, research laboratories, multimedia theatres, digital audio and video editing facilities, boardrooms, cafés and exhibition areas, and employ approximately 500 people. Moreover, TechPEI is currently designing a complementary network of IT centres in rural areas. Although stakeholders in O'Leary, Kensington, and Wellington in Prince County are hoping to be included in this initiative, its final formula and financing arrangements are still being developed.

Prince County has certain assets that will help it become a full partner in this strategy. In Wellington, the Acadian community has for several years demonstrated unparalleled energy in making the move to the knowledge economy.³⁸ A small group of visionary leaders have woven a veritable web of initiatives, organizations, and micro-

36. Province of Prince Edward Island, *Bridging Tradition and Technology: An Economic Development Strategy for Prince Edward Island* (Charlottetown: Department of Development and Technology, July 2000).

37. PEI Business Development Web site: www.peibusinessdevelopment.com

38. This opinion is shared by the National Research Council in the United States, which sees it as an example of one of the most enthusiastic cases of knowledge sharing in Prince Edward Island, in *Lighting the Way: Knowledge Assessment in Prince Edward Island* (Washington: Committee on Knowledge Assessment, Office of International Affairs, National Research Council, 1999), 24.

businesses dedicated to the new economy.³⁹ Although the scope of those projects is limited by the size of the community that developed them, the initiative is evidence of an ability to make the technological conversion required to become part of the new economy.

Potential is less evident elsewhere in Prince County. In O'Leary, in the western part of the county, a business incubation centre for tech services specializing in agriculture is being developed. There is no way to predict whether the project will succeed. Area stakeholders say that there are workers who are available and interested in technology jobs, and are only waiting for an opportunity, and cite the example of a fibre optic company that managed to attract 500 people (from a regional labour force of 8,000 individuals) to information sessions it held to assess labour supply in the area.⁴⁰

In Summerside, the main urban centre in Prince County, the development of the new economy appears to be becoming a reality, under the banner of Slemon Park.

Slemon Park

Slemon Park has been an unexpected success.⁴¹ In 1989, the Department of National Defence announced the closing of the Summerside military base, an institution that was seen as the lifeblood of the region for forty-five years. Approximately 1,200 jobs were eliminated, and disaster loomed. The local community, with the support of the province and the attentive ear of the federal government, came up with a plan to privatize the base's land and facilities. A trust was created to manage the business, and received \$15 million in federal-provincial development funding. Local, provincial, and federal leaders, various subsidies in hand, including significant provincial, property and income tax exemptions valid until 2012, attracted a number of businesses to the new park. Also, to ensure the vitality of the area, ACOA heavily subsidized the expansion of McCain Foods and Cavendish Farms, near Summerside. Finally, the federal government decided to locate its new GST processing centre in Summerside.

Today, Slemon Park is home to the Summerside Aerospace Centre, which brings together the operations of several companies, including Atlantic Turbines International Inc., Honeywell Aerospatiale Inc., Testori Americas Corporation, and Wiebel Aerospace (1995) Inc., as well as an aerospace training centre created by Holland College. Other high-tech manufacturing companies are also located in Slemon Park, including Fiber Connections Inc., and the maker of Humpty Dumpty chips has a modern

39. See the example of the *Projet télécommunauté insulaire francophone* at Web site: www.teleco.org/index.html, CIFTA at Web site: www.cifta.com, and the Société éducative de l'Île-du-Prince Édouard at Web site: www.teleco.org/socedipe/index.html

40. Resources West Inc., *Five Year Business Plan 2001-2005*, 13.

41. Donald J. Savoie cited a case study in *Community Economic Development in Atlantic Canada: False Hope or Panacea?* (Moncton: Canadian Institute of Research on Regional Development, Maritime Series, 2000).

plant in the park. Holland College has also transferred its Justice Institute to Slemon Park, and in 2000–01, approximately 54,000 training days were provided there. As of March 2001, nearly 590 people worked at Slemon Park.⁴²

Savoie reports that the disaster of the military base closure in fact became a vehicle for unprecedented economic vitality. The entire Summerside area, not just the airport facilities, were given new life. Today the city is a constantly growing service centre and a highly popular tourist destination. According to Savoie, the Summerside experience shows how the commitment and energy of the local people, together with the willingness of all levels of government, can renew a regional economy.

Slemon Park is currently the jewel in the crown of Prince County. Its success has rejuvenated the entire community, and, it is hoped, will attract new investment to the area. However, those in more remote regions, for example, in western Prince County, have concerns about this dynamic centre, which is slowly siphoning away its skilled workers. The challenge now is to extend that success to the entire region, rather than concentrating it in Summerside.

Access to Telecommunications

One foundation of initiatives aimed at developing the knowledge economy is the province's broadband telecommunications network, which uses ATM (asynchronous transfer mode) technology, implemented by the telecom company Island Tel. Although provincial powers-that-be boast about their telecom infrastructure, people in Prince County complain that they cannot access the network without paying special connection charges of several thousand dollars. Meanwhile, the cost of high-speed lines in rural areas put companies at a competitive disadvantage, compared to companies in Charlottetown. In the absence of government regulations that are consistent with the aspirations of regional operators, market forces prevail.

Beyond the infrastructure issue, Prince County appears to enjoy good access to Internet services. Junior and senior high-school students are using the Internet more frequently for information purposes (86 percent in junior high school and 100 percent in senior high-school) than the national average (80 and 87 percent respectively).⁴³ Community Access Centres have been set up throughout the province, and we are told that each resident of the province is within twelve minutes of a Community Access Centre.⁴⁴ The government believes it has the best ratio in the country: one centre for each 2,500 residents.⁴⁵ The centres play an important role in the dissemination of information and access to government on-line services, but, even more importantly, they

42. Data provided by Slemon Park Management, dated May 2001.

43. Canadian Education Statistics Council, *Education Indicators in Canada*, table 3.31.

44. Watson, "History in the Making," 12.

45. TechPEI, *Community Access Program* at Web site:
www.techpei.com/index.php3?number=46367, 13 June, 2001.

promote computer skill-building among a larger percentage of the population. In the IT age, this mission is critical from a perspective of equitable participation of citizens in public life.

Labour Force Skill Levels

Prince Edward Island definitely has a reliable supply of labour, as the province boasts, but whether that labour force has the skills required for the knowledge economy remains to be seen. As we saw earlier, the Island's education rate is below the national average. The province has a significant amount of ground to make up in the area of labour force training, a major challenge. Furthermore, a recent study suggests that the Island's education and training infrastructure are not yet up to meeting that challenge.⁴⁶

A number of stakeholders report, however, that the jobs they want to attract will probably not involve a high degree of technical skills, even though they fall within the technology sector. This is a valid strategy in the short term, but is risky over the long term, because the knowledge economy is not limited to technology-based industries. The skills developed through higher learning will be increasingly in demand in "standard" jobs in the primary sector, i.e., fisher, farmer, and machine operator. Our society is moving toward a work world that increasingly demands technological skills, and, as a result, needs workers who have earned diplomas and degrees.

We would like to conclude this section on the knowledge economy with a paradox raised by people we spoke with. Although we may assume that the growth of information technology will bring economic players closer together, it appears that, more than ever, they are feeling the distance separating them. Stakeholders in Prince County report that face-to-face contact is still important today, not despite the virtual links springing up between business people, but because of those links. Entrepreneurs in the new economy are weaving a complex web of business relationships via the Internet, but the traditional handshake still seals the deal. However, because regional entrepreneurs live in peripheral areas, and do not have ready access to air travel, they have to spend more if they want to seal business deals that they have arranged using new communications technology.

Seasonal Economy and Diversification

46. National Research Council, *Lighting the Way*, 21.

The economy of Prince Edward Island is highly seasonal. Maurice Beaudin paints an eloquent picture,⁴⁷ reporting that 26 percent of the Island's labour force is seasonally employed, compared with 17 percent in the Maritimes and 10.5 percent in Canada. In Prince County, that number is 33 percent. Obviously this is a structural phenomenon resulting from the Island's dependence on agriculture, fisheries and processing, along with tourism. One economic stakeholder reminded us that without seasonal workers, the province's resource-based economy could not function.

But seasonal employment impacts other sectors. Not only does the high number of workers required in the resource sector during peak season deprive other sectors, such as the manufacturing and service sectors, of year-round labour supply, the economic slowdown during the low season adversely affects other sectors, like transportation, restaurants, and even wholesale and retail trade. As we saw earlier, even public utilities are subject to seasonal fluctuations. The impact of the seasonal economy is considerable: a high rate of unemployment, downward pressure on incomes, nervous investors, and so on.

The region's economic stakeholders intend to meet the challenge of the high level of seasonal employment by stimulating economic diversification. Given their region's strategic location, they hope to attract investors from the manufacturing and technology sectors. With the Confederation Bridge, manufacturers can easily access the American market via southern New Brunswick. Prince Edward Island already exports potatoes to the United States, as well as other products, via that north-south corridor.

The Island's location within that north-south corridor is an asset, but Prince County does not appear to have yet attracted a broad range of investment. While Slemon Park has definitely stimulated growth in the aeronautics industry, that growth has nothing to do with the new bridge. For now, road transportation seems to be used mainly for agricultural and seafood exports, and to supply the retail sales industry.

Business people in Prince County face two types of major challenges. First, they have to diversify business opportunities via the existing economic base, i.e., agricultural and marine resources, but not fall into the trap of creating an imbalance between production and the resource itself. Economic officers seem to be aware of this, and value-added production is on everyone's lips. Furthermore, consideration should be given to creating new services in traditional sectors, such as boat building. There are a few small fishing boat builders in Prince County who could extend their market for recreational and other craft beyond the Island, using their traditional skills to create new markets for their products.

The second challenge is an outgrowth of the first, in that economic diversification cannot be limited to resource-based sectors, but must include emerging sectors.

47. In the absence of a standard definition from Statistics Canada, Beaudin means by seasonal workforce full-time workers who have not worked more than half the year. See Beaudin, ed., *The Economic Region of Prince Edward Island*, 54–8.

Economic development stakeholders are raising their sails, hoping to catch the stiff wind of technology, but it seems to be more of a sporadic breeze. However, we have to remember that the region is a small one. As a result, as a number of our information sources suggested, there is not a huge need for new jobs — two, three, or four new plants in Prince County would provide considerable stimulus.

Tourism Development

Tourism can look like a lifesaver to regions that are struggling economically. This is partly true in Prince County, although stakeholders do not appear to see tourism as a panacea. Fortunately, Prince Edward Island has long been a summer destination of choice in eastern Canada. Its beaches and winding country roads, and of course the legendary Anne of Green Gables, attract many tourists, year after year.⁴⁸

The opening of Confederation Bridge created huge expectations with respect to tourism, and the results are more than encouraging.⁴⁹ Table 12 shows that the opening of the bridge in 1997 had a very positive impact throughout the province, with the number of tourists staying for at least one day up from 788,000 in 1996 to 1.2 million in 1997. That number continued to climb in 1998, but dropped slightly in 1999 and 2000. However, in Prince County,⁵⁰ after a significant increase from 179,000 to 250,000 between 1996 and 1997, the number of visitors has fallen almost to 1995 levels, i.e., 155,000. Within Prince County, Summerside has suffered the least, whereas the Evangeline and Kensington regions have fewer tourists today than five years ago. Indeed, the increase in tourism has mainly benefited other regions: Cavendish, Charlottetown, Kings East, New London, Kings South, and the south shore.

48. Actually, according to the Prince Edward Island Tourism survey, *Economic Impact: Tourism 2000*, December 2000, for the last four years, the three main activities for visitors to the Island are going to the beach, shopping for handicrafts and excursions.

49. The data in table 12 are taken from Prince Edward Island's annual tourism report and are based on interview-based surveys of a limited and poorly controlled sample of visitors. The data are not very reliable, but do show trends over several years.

50. Again, these data, although valuable, are not very reliable. The distribution of visitors by region was calculated on the basis of the location in which they stayed. However, because the province is fairly small, we know that during the day, most tourists visit regions other than where they spend the night.

Table 12
Number of Tourists in Prince County, Per Region, 1995–2000

Region	1995		1996		1997		1998		1999		2000	
	Number of Tourists (in thous.)	Avg. Stay (in days)	Number of Tourists (in thous.)	Avg. Stay (in days)	Number of Tourists (in thous.)	Avg. Stay (in days)	Number of Tourists (in thous.)	Avg. Stay (in days)	Number of Tourists (in thous.)	Avg. Stay (in days)	Number of Tourists (in thous.)	Avg. Stay (in days)
Evangeline	13.7	-	14.8	-	23.8	-	22.8	-	12.8	7.0	5.4	5.2
Kensington	27.3	5.4	22.2	6.8	35.7	6.3	45.6	5.3	38.5	4.8	20.7	5.3
Summerside	75.2	4.4	111.2	3.9	130.8	4.4	114.1	4.4	99.3	4.6	92.4	4.2
Prince-West	34.2	7.3	31.2	7.3	59.5	5.1	45.6	6.6	38.6	7.3	37.0	4.1
Total Prince	150.4	-	179.4	-	249.8	-	228.1	-	189.2	-	155.5	-
Total PEI	777.9	4.8	788.3	4.1	1, 238.1	4.2	1, 291.4	4.2	1, 270.1	4.7	1, 179.3	4.1
Prince/PEI (%)	19.3	-	22.8	-	20.2	-	17.7	-	14.9	-	13.2	-

Source: Prince Edward Island Tourism, *Economic Impact: Tourism 2000*, December 2000.

The figures in table 12 reflect tourists who have spent at least one night in the province, and not those who come for a shorter visit. Government officials told us that because of Confederation Bridge, tourists are able to enjoy the province's beaches and golf courses, and at the end of the day, head to New Brunswick, probably Moncton, for the night. The bridge has given tourists more freedom, and they seem less inclined to plan their trips and more susceptible to advertising once they reach their destination.

From that perspective, Prince County is at a disadvantage. It is not home to the province's most popular or most effectively marketed tourist attractions. In fact, it is located at the west end of the Island, and tourist destinations are located to the east. Drivers arriving via the bridge do not see billboards pointing them west. Yet, a number of infrastructure projects and attractions have been created to make up for that lack. One example is Gateway Village in the Borden-Carleton region, which houses the Prince Edward Island Tourist Bureau and a number of shops. Summerside has two attractions in the heart of the city, Waterfront Properties and Harbourfront Jubilee Theatre. In the Evangeline region, the Village de l'Acadie offers a living experience of the history and culture of the Acadian community, and at West Point, the former lighthouse is now an attractive inn and restaurant. Rodd Mill River Resort is an international-calibre resort with the region's best known golf course. The region also offers numerous ecotourism attractions, for example, excursions along the Confederation Trail, which runs the entire length of the province.

However, there is no doubt that the real tourism potential is in the development of the region's rural heritage, its habitats, and landscapes. Right now, these riches are quite hidden from the main highway, which crosses the area through a no man's land. Tourists would have to be offered a rural experience richer in impressions, and attracted to small interior roads. This type of approach would still require some tourist attractions, but would emphasize the environment rather than relying on old standbys, such as mini-golf and waterslides. Tourism with a rural focus should attract the many tourists who say they are interested in these types of excursions.

In short, Prince County is lucky to be in a province that is well established as a tourist destination, but it also has the misfortune of being on the periphery of the most popular attractions. However, unlike several other regions in our comparative study, Prince County has a wealth of opportunities, and will have to determine which niches will serve it best, without attempting to imitate what sells somewhere else. Finally, it should be remembered that tourism is another seasonal industry, and does not contribute significantly to the economy in low season.

Coordination of Government and Community Stakeholders

In his 1998 study, Maurice Beaudin raised the problem of too many development agencies in Prince County. “At the western end of the province, there are at least sixteen such organizations separate from the umbrella agency, the Western Development Corporation; at least eight others in the Evangeline region separate from the Société de développement de la Baie acadienne... The danger is that when everyone is in charge of economic development, no one is in charge.”⁵¹

Today, a number of economic development stakeholders are making the same observation: there are too many people involved, and more importantly, too many people doing the same thing. The problem appears to be most acute in Prince County West, where the structure has changed little since Beaudin’s study. The former Western Development Corporation (WDC), the umbrella agency for rural development, lost its financial support from the government to a new agency, Resources West Inc. That new agency will have to win its rightful place in the wake of the failure of the WDC, which is still not completely out of the picture. Resources West Inc. will have to justify its existence in the eyes of the many organizations in the various geographic sectors and at various levels of government intervention. For example, the province is involved in community development, rural development, and business development, ACOA focuses on business development, and Human Resources Development addresses labour issues, while the municipalities and sub-regions, along with various industry sectors (tourism, agriculture, and so on) also have structures for defending their economic development interests. Although those structures can be seen as evidence of a high degree of organization, and an advantage, the result is extensive duplication and a risk of burn-out among their people, many of whom are volunteers. Everyone talks about partnerships and joint action to pursue common goals, i.e., the creation of jobs and wealth in Prince County, but the fact remains that they all protect their own turf first.

Rural and community development is now an integral part of the province’s economic development policy.⁵² Community development officers have been assigned to three communities in Prince County — Summerside, Wellington (for francophone clients), and O’Leary, in Prince-West. Although their funding is limited, they are committed leaders, trying to get communities involved in development projects. For example, in May 2001, the officer in the Evangeline region organized a forum of approximately 125 associations from the francophone community, who got together and defined regional strategic development priorities: job creation to halt the exodus of young people and diversification of tourist attractions.

In the francophone community, the increase in the number organizations hides the fact that the number of individual stakeholders has remained virtually unchanged. The

51. Beaudin, ed., *The Economic Region of Prince Edward Island*, 88.

52. Province of Prince Edward Island, *Bridging Tradition and Technology*.

Société de développement de la Baie acadienne seems to be the coordinating agency, and receives provincial funding. There are also stakeholders from provincial agencies and departments, and others from Human Resources Development Canada. Volunteers are very active in the Acadian community, and the Evangeline region is known as one of the most ardent supporters of the cooperative movement. At one time, there were as many as twenty cooperatives in an area with only 2,500 residents.⁵³ However, with the slow decline of the cooperative movement, there are now concerns about volunteer burnout. The main fear in the area of community economic development is that volunteers are being pushed to the limit.

At first glance, it is interesting to see that the economic community in Prince County has a high degree of organizational density, or, as the sociologist Raymond Breton suggested several years ago, a high degree of institutional completeness. But we have to ask if that density really does ensure that socio-economic development initiatives are more effective. The people we spoke to implied that the high number of organizations involved in planning only created confusion with respect to development tools. All we can suggest is a more in-depth examination of that situation. When successive provincial and federal governments address the problem they tend to implement reforms which, rather than eliminate duplication, add new organizational layers to those already perceived as surplus.

53. George J. de Benedetti and Maurice Beaudin, "How Linguistic Minority Communities Contribute to the Economic Well-being of their Regions," in *Official Languages and the Economy: papers presented at a colloquium hosted by the Official Languages Support Programs Branch, Department of Canadian Heritage, held on 5 May 1995*, (Ottawa, 1997), 125-62.

CONCLUSION

Although it is an island, Canada's smallest province does not seem to be cut off from the eastern Canadian markets. It is our observation that Prince County is an integral part of Atlantic Canada's predominantly north-south distribution channels leading to the United States. Whatever the industrial sector, the resources extracted and processed by this region reach US markets, in most cases, via the new Confederation Bridge. In short, this island province's size and geography are not an insurmountable barrier to accessing markets.

Agriculture and fishing are the two foundations of the economy in Prince County, the region's lifeblood. Potato farming and processing and fishing and seafood processing, mainly lobster, provide many of the jobs in Prince County. Of the regions studied as part of this comparative research project, Prince County has the primary sector that accounts for the highest percentage of jobs and the tertiary sector the lowest percentage. Although this agriculture- and fishing-based economy is fairly stable, there are some risks.

Prince County's population is mostly rural, and is characterized by low education levels and low numbers of university graduates, typical of rural populations. Young people are finding fewer and fewer reasons to stay, and tend to leave to seek new horizons. The remaining population is aging, which will not enhance the region's educational profile. When looked at from the perspective of the new economy, an economy that capitalizes on knowledge, that reality does not augur well.

Nevertheless, the economy of Prince County is showing clear signs of diversification and a shift toward the knowledge economy within the manufacturing sector. Slemmon Park in Summerside has transformed the crisis of a military base closure into a hugely successful development initiative. Today, the Park is home to aeronautics and information technology firms that are opening the way to the knowledge economy in Prince County. Slemmon Park is also proof positive that communities can, with the support of government, revitalize a sagging economy.

However, the story of Slemmon Park is also a reminder that a peripheral area is still just that. The park's efforts to create jobs and diversify the economy have also created a brain drain, pulling the region's best human resources towards its urban centre. Prince County is an example of the exodus domino effect, in which the most dynamic resources of the most remote regions are pulled not only to regional urban centres, but beyond, into major national and international cities. With the knowledge that Prince County is at the wrong end of that domino effect, governments must adopt sustained measures aimed at halting that trend.

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