



Five Year Economic Development
STRATEGY
For Eastern Prince Edward Island

Building on the Momentum



Canada^{ca}

1.0 EXECUTIVE SUMMARY

1.1 AN IMPROVED ECONOMY AND A BRIGHTER FUTURE

The economic landscape of Eastern Prince Edward Island (“Eastern P.E.I.” or the “Region”) has improved substantially over the past six years, due at least in part to the largely successful implementation of the 1995 Economic Development Strategy. The sense of frustration and despair existing in the Region in 1995 appears to have been replaced, for the most part, by a sense of achievement and optimism for the future. Through a combination of effective government funding and resource allocation, and private sector initiative and investment, the Region has achieved significant and sustained economic growth. Since 1995 Eastern P.E.I. has lowered its unemployment rate, raised its education and literacy levels, maintained its vital ferry and port services, fostered the inception and growth of new businesses and industries, upgraded and improved its basic infrastructures, and seen the expansion of many of its existing businesses and industries. Key economic sectors including agriculture, tourism, manufacturing and food processing have been bolstered by exciting new projects and initiatives which have served to instill more positive attitudes in the residents and communities of Eastern P.E.I.. There is a new sense of optimism for the economic future of the Region.

1.2 STRATEGIC CHANGES IN DIRECTION

Eastern P.E.I. has always been dependent on its key resource-based sectors (agriculture and the fishery) as the pillars of its economy. These sectors will undoubtedly continue to provide a strong foundation for the Region’s economy. However, it is now clear that continued reliance on resource harvesting and primary processing alone cannot generate growth in the Region’s economy in the long run. There is a compelling need to add more value to the Region’s raw resources if sustainable economic growth is to be achieved.

A strategic change in economic development policy emphasis and direction is required. All levels of government and the private sector must now focus their energies and resources on propelling the Region’s resource-based economy into the 21st century. This will require bold policies and a commitment of long-term funding for education, skills training, research, information technologies and the commercial development of the innovative best practices and products necessary to add significant value to the Region’s strong resource base.

In the short-term, investments in education, research and innovation are often neither financially rewarding nor politically gratifying. Patience and perseverance are required from both the public and private sectors to “stay the course” in building the knowledge-

based infrastructure and culture required to transform and add value to the Region's resource-based economy. This may, in some instances, take 5 - 10 years to yield visible results and sustainable economic growth in the Region.

1.3 DESCRIPTION OF ASSIGNMENT AND TERMS OF REFERENCE

MacIsaac Younger Roche Soloman and MacPherson Roche Smith & Noonan were contracted by the Atlantic Canada Opportunities Agency (ACOA) to research and prepare a Five Year Economic Development Strategy for Eastern Prince Edward Island. In summary, the terms of references for this assignment were as follows:

- Review and update the Five Year Economic Development Strategy for Eastern Prince Edward Island, dated March 31, 1995 with respect to socio-economic data, progress made in promoting and achieving sustainable economic development, progress with respect to fundamental issues including education and literacy, ferry services and ports services, and implementation experience and capacity.
- Identify and prioritize sectors with high potential for sustainable economic development, and identify viable projects/initiatives within those sectors.
- Analyze public and private sector financing requirements and the viability of strategically recommended projects/initiatives.
- Develop and recommend effective economic development strategies and effective implementation strategies.
- Assess the adequacy, effectiveness and implementation capacities of existing community-based organizations, the adequacy and efficiency of the federal government's presence in the Region, and recommend realistic measures to enhance the federal government's presence to more effectively serve the Region.

1.4 SOCIO-ECONOMIC PROFILE

Eastern P.E.I. continues to lag behind the remainder of P.E.I. and the rest of Canada in comparisons of many socio-economic indicators, although in some areas the gaps are closing. Some key findings were as follows:

- According to the 2000 Census (Statistics Canada), from 1996 to 2000, the overall population of Eastern P.E.I. grew by 0.3% however the population of Kings County declined by 1.9% while the population of Eastern P.E.I. outside the Kings County boundary increased by 3.4%.
- The Town of Stratford experienced growth of 7.6% from 1996 to 2000, while the populations of Montague and Souris declined by 2.5% and 3.5%, respectively.
- Most communities in Eastern P.E.I. have a higher percentage of residents over the age sixty-five versus the rest of P.E.I. and Canada. The notable exceptions to this are Stratford, Georgetown and Cardigan which are all lower than the provincial and national averages.
- In Eastern P.E.I. only 46% of adults have an education level greater than high school.
- P.E.I.'s high school drop-out rate is 16.4% compared to 12.0% for the rest of Canada. The drop-out rate for females in P.E.I. is consistent with other areas at 9.2% however the drop-out rate for males in P.E.I. is much higher at 22.3%.
- During the past five years the federal government presence in the Eastern Region of P.E.I., has grown significantly, however it still remains far behind both the Western Region and the Greater Charlottetown Area, as illustrated below:

Summary of Federal Government Jobs in P.E.I. by Region				
Region	Estimated number of Jobs - 1995		Estimated Number of Jobs - 2001	
	Greater Charlottetown Area	1,600	67%	2,070
Western Region	750	31%	810	27%
Eastern Region	50	2%	120	4%
	<u>2,400</u>	<u>100%</u>	<u>3,000</u>	<u>100%</u>

1.5 DEVELOPING THE STRATEGY

The economic development strategy presented in this report was developed through extensive local input in the form of economic development survey responses, round-table discussions, private interviews and written submissions. A number of recent studies commissioned by community economic development organizations were examined and provided valuable insights.

In addition to broad-based local input, the Consultants analyzed economic development strategies being suggested and promoted for the Atlantic Region as a whole, by both the public and private sectors. A conscious effort has been made to dove-tail the

economic development strategies recommended for Eastern P.E.I. with those being recommended and implemented for the Atlantic Region to take advantage of the synergistic effects of a consistent regional strategy and the flow of government and private sector funding associated with regional strategies.

1.6 ISSUES OF FUNDAMENTAL IMPORTANCE

Several key issues were identified as being of such fundamental importance that executing a successful economic development strategy for Eastern P.E.I. would not be possible unless these issues were adequately addressed, including:

- As a minimum, vital ferry services and ports services must be maintained at present levels.
- Substantial and continuous investment must be made in measurably raising education and literacy levels and improving job skills.
- Substantial and continuous investment must be made in integrating skills and knowledge development initiatives with realizable strategic development projects/initiatives.

1.7 THE NEED TO DEVELOP STRATEGIES TO HELP OUR RESOURCE-BASED BUSINESSES DIVERSIFY AND BECOME MORE INNOVATIVE

A summary of the challenges and issues in our resource-based sectors follows:

- The economy of Eastern P.E.I. is heavily dependent on the sale of raw and semi-processed resources, many of which are in limited or diminishing supply.
- Business enterprises built on harvesting and semi-processing potatoes, lobster, mussels and wood products have become riskier ventures because of volatile international market conditions, inconsistency of supply, environmental challenges, trade barriers, foreign protectionism and disease/food quality challenges.
- Local producers and processors have been highly resourceful in developing and implementing process innovations and new technologies to improve the efficiency of growing, harvesting and processing practices, however, these innovations have focused primarily on cost minimization to maintain bottom-line profitability, rather than on new product development and innovation.
- Increasingly strong international competition driven by productivity gains,

often induced by low wage rates and high subsidies, has substantially eroded profit margins on most commodities.

- Sustainable growth can only be achieved by utilizing a much higher percentage of these locally produced resources in value-added production.
- Environmental concerns continue to add risk to all primary production and processing business operations through increased capital and operating costs and increased exposure to liability.
- Future economic growth derived from natural resources will require the application of new technologies and significant public investment in research and knowledge/skills development. Substantial private risk capital and government investment will be required to develop new resource uses, new products, new research initiatives and new business models to access new markets through the use of advanced communications.
- P.E.I. has strong research, training and educational facilities related to the established resource based sectors of its economy, including the P.E.I. Food Technology Centre, UPEI/Atlantic Veterinary College, AVC Inc., Holland College and the Canadian Food Inspection Agency - Agriculture and Agri-Food Canada. These are the “tools of transformation” and must be utilized to the fullest extent possible.
- The major challenge is to determine how best to accelerate the creation of knowledge-based businesses which add value to traditional resources and/or utilize the Region’s diverse and unique inventory of bio-resources. Creating new wealth from these scarce resources, without negatively impacting the environment, will require bold policies and substantial, high-risk investments and initiatives by both government and the private sector.

1.8 TOURISM - A GROWTH SECTOR

Eastern P.E.I. has experienced a dramatic surge in the number of overnight pleasure visitors, growing from 83,000 in 1997 to 141,000 in 2001, an increase of 70%. During the same period visitor expenditures have more than doubled to over \$4.0 million in 2001. This growth is quite remarkable in that, during the same period, the number of pleasure visitors to all of P.E.I. declined by about four percent. Eastern P.E.I. has experienced strong growth from all key markets including the Maritimes, Quebec, Ontario, and New England.

Recognition of several emerging trends is key to developing an appropriate strategy to

ensure continued growth in the Region's tourism sector, including:

- The new National Park in Greenwich will provide opportunities to increase tourism expenditures throughout the Region.
- Tourism can be enhanced and economic benefits increased by improving existing locations and linkages between locations. Creating new destinations is difficult and costly.
- The demand for active vacations, educational travel and experience-based trips will continue to grow.
- Vacationers will demand more unique experiences providing opportunities focused on the wonders of our natural environment.
- There will be a growing demand for specialized activities such as bird watching, fishing excursions and eco-tourism adventures.
- Opportunities will emerge in the tourism sector to provide personalized touring packages through the use of user-friendly, interactive computer technology.

These trends can result in new opportunities for Eastern P.E.I., however, new attitudes must be cultivated and new strategic directions taken if the Region is to continue to build on its inherent strengths and fully capitalize on these emerging trends.

1.9 THE TECHNOLOGY/KNOWLEDGE-BASED ECONOMY

The "old" economy was driven by natural resources, physical assets, relatively unskilled labour and industrial plants. The "new" economy is driven by specialized knowledge, speed, innovative business models and the use of new technologies and processes. In the coming decade, the distinction between the "old" and "new" economy businesses will become increasingly blurred as technology, innovation and knowledge bring the traditional and emerging sectors of the economy together. A development strategy intended to generate sustainable economic growth must consider the following factors:

- The economy and its marketplaces are now undeniably global.
- The internet will continue to change the manner in which business is conducted by providing instant international market reach to all businesses.
- Knowledge and talent will be the most valuable business resources and the importance of education will increase yet again.
- The pace of change will continue to be rapid; turmoil in the marketplace will

continue and competition will increase.

- Entrepreneurial and innovative minds will seize opportunities and create wealth.
- Rural communities will face even greater challenges as technology infrastructure and human capital emerge as the basic building blocks for successful economic development.

To close the knowledge and technology gaps in the Region (as compared to more advanced economies) initiatives must be taken to:

- Address the “digital divide” issue (i.e. the widening technology/communications infrastructure gap between urban and rural economies) immediately because a first rate telecommunications system is required in rural areas if they are to compete effectively.
- Increase the presence of P.E.I.’s educational and research institutions in the Region and,
- Leverage additional technology/research investment on the presence of the Correctional Services Canada Addictions Research Centre.

1.10 OVERVIEW OF RECOMMENDED FIVE YEAR ECONOMIC DEVELOPMENT STRATEGY

- **Strategic focus on building on the infrastructure strengths of the Region**, including built facilities, landscapes, coastlines, human resources and natural resources from the land and sea.
- **Strategic focus on building the Region’s knowledge base** through continuous investment in higher education, literacy and job skills, complemented by initiatives to attract educational and research/training facilities to physically locate within the Region.
- **Strategic focus on adding value to mature resource-based sectors**, including the agriculture, fishery and forestry sectors, by investing in existing, successful processing operations to upgrade and enhance their facilities to manufacture or process new, value-added products and provide capacity for innovation.
- **Strategic focus on new and emerging sectors of the economy by**

leveraging the existing mature resource sector strengths and existing infrastructure strengths (e.g. built facilities, land and water resources, available knowledge and expertise, etc.) as a means of mitigating the costs and risks inherent in entering new and emerging sectors.

- **Strategic focus on projects/initiatives with significant ability to leverage private sector investment, additional economic activity and/or full-time skilled employment opportunities** (as compared to seasonal, unskilled opportunities).
- **Strategic focus on the interdependency of the environment and the economy** by recognizing that future economic growth in the primary resource and tourism sectors of the economy is highly dependent on the preservation and enhancement of the Region's environment.
- **Strategic focus on maintaining economic momentum** generated since 1995 by continuing to invest in attracting new businesses and bright minds to the Region.

1.11 MAJOR STRATEGIC INITIATIVES

The terms of reference for this study call for the Consultants to identify sectors of the economy of Eastern P.E.I. with high potential for sustainable economic development and to identify and prioritize projects/initiatives within these sectors which are believed to be of major strategic importance with respect to generating sustainable economic growth and development within the Region.

The project/initiatives selected as being of major strategic importance are believed to be in harmony with the strategic focus criteria comprising the recommended five year economic development strategy, as set out in Section 9.0 of this report.

Projects/initiatives of major strategic importance are prioritized in terms of their potential to (1) provide significant leverage (by way of skilled job creation and other economic spin-offs) on government funds invested, (2) have a catalytic effect on the economy, (3) be viable and sustainable in the future and/or (4) attract private sector investment. A summary of the selected major strategic initiatives, in no particular order of importance, is as follows:

- **A Series of Capital Investments To Establish Touring Destinations**

Development of new "linked" touring destinations (or significant improvement to existing sites) which are authentic, educational and entertaining, with each having a consistent, high quality product and operating standards.

Examples of high quality touring products which could potentially be linked include Roma Historic Interpretive Centre, East Point Lighthouse, Orwell Corner Historic Village, Basin Head, Elmira Miniature Railway, Southern Kings and Queens area destination, a First Nation cultural experience, themed experiences focusing on soft adventure and unique private sector businesses.

- **Technology in Tourism Pilot Project**

Tourists to Eastern P.E.I. often visit leading, well-advertised destinations, however, many are interested in a much wider variety of attractions and activities. The objective of this initiative is to determine visitor needs and wants through personal interviews at Visitor Information Centres and to then assist visitors in developing their own personalized/customized itinerary through the use of user-friendly, interactive technology. In doing so, visitors will be exposed to a much wider spectrum of attractions, activities and geographic locations within the Region. It is proposed that this initiative be sponsored by the federal and provincial governments as a tourism pilot project which, if successful, could generate positive economic benefits for all of P.E.I.

- **Montague Garden of the Gulf Museum and Waterfront Project**

This initiative includes the preparation of a detailed business plan, including cost estimates, a financing plan and an implementation plan, in support of a major retro-fit and expansion of the Garden of the Gulf Museum and, as a second phase, the development of walkways, waterfront improvements, landscaping and a foot bridge connecting the Museum with the well-developed north side of the Montague waterfront.

- **Souris Downtown Revitalization and Marina Projects**

These initiatives build on the successful restoration of the historic Matthew & McLean building and include construction of a Waterfront Boardwalk, continued restoration of selected Main Street historic buildings and development of the Souris Harbour Waterfront as a Marina for pleasure boats and for other recreational uses.

- **Cardigan Area Interpretive Centre and Waterfront Development Initiative**

Cardigan residents have developed a plan to revitalize the town's waterfront area, including upgraded recreational boating facilities, establishment of an interpretive centre highlighting the area's history and ecology and providing visitor information services, and the creation of a waterfront boardwalk. This initiative requires a business plan, strong community support and substantial government investment.

- **St. Peters Development Corporation, Quigley Hall and Community Infrastructure Projects**

This is primarily an infrastructure project incorporating the restoration of Quigley Hall (an historic property), the construction of Bayside Landing (a small park area adjacent to the turn-off to Souris) and a boardwalk and pedestrian bridges linking the Visitor Information Centre to the community core. This project has substantial potential to leverage further private sector investment in the community.

- **Building Smarter Communities - A Five Point Plan**

There is a pressing need to address Eastern P.E.I.'s present inability to meaningfully participate in emerging technology and knowledge-based economic development opportunities. Five strategic initiatives are suggested, including (1) developing niche opportunities for specialized training, (2) proactively engaging Correctional Services Canada, UPEI/AVC, Holland College and the P.E.I. Food Technology Centre in research-based economic development initiatives, (3) establishing a community-led task force to address the "digital divide" issue and accelerate the development of an innovation culture in the Region, (4) aggressively pursuing a more substantial government presence in the Region with particular emphasis on technology and research entities/functions and (5) aggressively pursuing the establishment of a new customer contact centre in the Region. A number of individual projects and initiatives are recommended in support of the Building Smarter Communities initiative. This five point plan and the recommended projects/courses of action is one of the most important elements of this strategy.

- **Resource-Based Sector Diversification and Innovation Initiatives**

To add value to our resource-based sectors the focus must now change from productivity and cost efficiency to resource diversification and product innovation. There is little or no opportunity for growth in the fiercely competitive commodity markets for unprocessed or semi-processed output. The first initiative to address these issues is the creation of a Resource Sector Research Incubator facility to partner the knowledge, skills and research facilities of the public and academic sectors with the experience and entrepreneurship of the private sector. This partnership could support an agenda of substantive change and diversification of agricultural products and practices and conduct research and development necessary for the commercialization of new and innovative food products and processes. The second initiative entails the establishment of an organic milling facility with the objectives of encouraging crop diversification and capitalizing on the fastest growing sector (natural and organic foods) of the North American and European food markets.

- **Value-Added Processing Initiatives**

The recommended initiatives are examples of strategic investments in equipment and technology to enable the food processing industry in the Region to change market focus and add significantly greater value to what is now often only semi-processed food production. The first initiative would provide existing food processors with assistance in acquiring the packaging and processing equipment necessary to produce diversified, innovative, value-added, branded products targeted at the high-end retail consumer market. The second initiative envisions government commissioning a study to explore the apparent need for additional multi-purpose freezing and/or frozen storage capacity for the food processing industry (particularly for vegetable and seafood processors) and, if necessary and economically viable, structuring a partnership between government and private sector processors to construct and operate the required facilities.

- **Centre of Innovation for Fin Fish Aquaculture**

The aquaculture industry presents an opportunity for accelerated economic growth in Eastern P.E.I., primarily through leveraging on the Cardigan Fish Hatchery facility which is owned and operated by AVC Inc., a division of UPEI's Atlantic Veterinary College. This Centre would, among other aquatic scientific research endeavors, address the scientific challenges confronting the development of a viable fin fish aquaculture industry in P.E.I. including genetic issues, growth rates, nutrition updates, disease resistance, etc. and address the many business development issues challenging the industry including market development, consistency of supply, branding issues, etc.. There is potential to establish commercial aquaculture initiatives, in partnership with existing private sectors businesses.

- **Resource Sector Apprenticeship Pilot Initiative**

This pilot initiative addresses the growing skills shortage in resource-based industries and, at the same time, helps reduce the high school drop-out rate and raise literacy levels. Essentially, high school students entering grade ten and interested in future resource sector employment would enroll in an apprenticeship program in a chosen sector while continuing to take the core academic courses necessary to complete grade twelve. The Resource Sector Apprenticeship courses would replace elective courses now taken in grades ten, eleven and twelve. Students in the apprenticeship program would complete paid work placements (on-the-job-training) in the summer months. Upon completion of grade twelve and the Resource Sector Apprenticeship program, students would have the option of joining the work force, enrolling in a post-secondary degree program or enrolling in a higher level two year Holland College Resource Apprenticeship program in their chosen field.

- **Business and Industrial Parks**

Eastern P.E.I. has three high-quality business or industrial parks, collectively covering a wide range of business activities including light industrial and technology in Pooles Corner Business Park, food processing in the Souris Food Park and technology and research-based industries in the Stratford Business Park. We recommend that government place a renewed emphasis on marketing these facilities (re-defining target markets if necessary) and developing the park infrastructures necessary to attract new business clients to the Region. The future of light manufacturing, food processing and technology-based industries is highly dependent on successfully marketing high-caliber business and industrial park space within the Region in what is now an extremely competitive North American marketplace.

1.12 IMPLEMENTATION

Successful implementation of the **The Five Year Economic Development Strategy For Eastern Prince Edward Island** will require:

- Strong leadership from communities and individuals throughout the Region.
- The establishment of an ACOA sub-regional office, centrally located within the Region.
- The continued participation of Active Communities Inc. in its project development/capital financing role (including the continuation of its small business loan program).
- Remandating the Board of Active Communities Inc. to assist in facilitating the implementation of capital elements of the Five Year Economic Development Strategy.
- Restructuring the newly-mandated Board of Active Communities Inc. to include 3 to 5 voting members and 3 ex-officio members representing the ACOA sub-regional office, UPEI/AVC and Holland College in recognition of the integral role these institutions must play in the successful implementation of **The Five Year Economic Development Strategy for Eastern Prince Edward Island**.