



**ACTION COMMITTEE ON THE RURAL ECONOMY**

**Tools for Economic Development  
Subcommittee Report**

**September 2001**

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## **DISCLAIMER**

In developing its report, the subcommittee heard various presentations, conducted a review of the rural economic development literature and reviewed the written submissions that were sent into ACRE that dealt with economic development. While this subcommittee used this material as background for its report, the subcommittee does not necessarily endorse all the views presented in the material.

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## **REVIEW OF SASKATCHEWAN AND FEDERAL PROGRAMS**

The subcommittee originally undertook the task to review federal and Saskatchewan programs that may impact on rural Saskatchewan. However, the number (over 110 programs) and complexity of the programs were such that the subcommittee did not feel that they had the resources and expertise to review the programs. However, the subcommittee believes that a comprehensive review should be undertaken to ensure that these programs meet the needs of rural Saskatchewan.

## RECOMMENDATION SUMMARY

Economic development in rural Saskatchewan has traditionally been focused on primary resources. For example, if the crops sector in agriculture was thriving then rural Saskatchewan was thriving. Historically, primary agriculture provided the employment and wealth creation opportunities in rural Saskatchewan.

Primary agriculture (crops sector),<sup>1</sup> which used to be a labour intensive and high margin industry, is now a very capital intensive and low margin industry. As a result of this shift, the number of farmers and farms necessary to farm the land has declined rapidly. The decline in the number of farms and farmers has meant that the number of people necessary to provide support services to the agricultural sector has also declined. The declining employment opportunities in the crops sector and its support services has meant that rural people, and especially its youth, have had to leave rural Saskatchewan in order to find employment.

There is a strong consensus amongst those involved in rural development policy that the trends described in the preceding paragraph will continue. While primary agriculture (crops sector) will continue to generate wealth, this wealth generation will arise with fewer and larger farms.

The changes described in the agriculture sector have also occurred in other natural resource industries such as forestry and mining that operate in rural areas of Saskatchewan. These industries have become very capital intensive and have been shedding labour.

In an attempt to add more value to their products and hence more employment, these sectors and particular the forestry sector have been moving up the value chain. The forestry industry in northern Saskatchewan has been quite successful in adding more value to the raw wood products, which in-turn has increased employment and economic activity in the forested areas of the province.

**It is critical that economic development in rural Saskatchewan move away from its focus on primary resources to a focus on people.** If there is to be a viable rural Saskatchewan, there needs to be people living and working in rural Saskatchewan. A sufficient population base or a critical mass of people is necessary in order:

- to ensure an adequate labour pool for new business enterprises;
- to maintain public services such as schools and hospitals; and
- to ensure that the large investment in infrastructure does not become redundant.

Maintaining and increasing the population base in rural Saskatchewan means that there must be sufficient economic activity to create employment opportunities. At a minimum there must be sufficient employment growth in the non-primary agriculture sector to offset the decline in employment in the primary agriculture sector (especially the crops sector).

**The change in the policy focus must be acted upon quickly while there is still a critical mass of people and infrastructure left to maintain a functioning rural economy. To quote David Freshwater, a well regarded authority on rural economic development issues:**

**“..., leaving rural areas to their own devices is a potentially dangerous alternative, particularly if this results in accelerated out migration to urban areas, and converts a rural development problem to an even less tractable urban development one.”<sup>2</sup>**

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<sup>1</sup> The subcommittee believes that there are substantial opportunities in the livestock sector.

<sup>2</sup> Freshwater, David, Three Papers on Rural Development, TVA Rural Studies Program, University of Kentucky, Staff Paper 00-14, November 2000, page 42.

# INTRODUCTION

Economic development in rural Saskatchewan has traditionally been focused on primary agriculture, especially the crops sector, i.e. if the crops sector was thriving then rural Saskatchewan was thriving. Historically, primary agriculture provided the employment and wealth creation opportunities in rural Saskatchewan.

However, primary agriculture (crops sector)<sup>3</sup> which used to be a labour intensive and high margin industry is now a very capital intensive and low margin industry. As a result of this shift, the number of farmers and farms necessary to farm the land has declined rapidly. The decline in the number of farms and farmers has meant that the number of people necessary to provide support services to the agricultural sector has also declined. The declining employment opportunities in the crops sector and its support services has meant that rural people, and especially its youth, have had to leave rural Saskatchewan in order to find employment.

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It is critical that economic development in rural Saskatchewan move away from its focus on primary agriculture (especially the crops sector) to a focus on people. If there is to be a viable rural Saskatchewan, there needs to be people living and working in rural Saskatchewan. A sufficient population base or a critical mass of people is necessary in order to ensure an adequate labour pool for new business enterprises, to maintain public services such as schools and hospitals, and to ensure that the large investment in infrastructure does not become redundant.

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## **The Role of Small Business in Rural Economic Development**

Based on the presentations given to the subcommittee and a review of the literature on rural economic development, it is the view of the subcommittee that the creation of a thriving and profitable small business sector<sup>5</sup> is the key element in revitalizing the economic health of rural Saskatchewan. The subcommittee believes that the small business sector will create employment for people in rural Saskatchewan and provide off-farm employment opportunities for farm families. The ability for farm families to access off-farm employment may also mean that a larger number of smaller farms may continue to exist as they will now be able to supplement their farm income with off-farm income.

The subcommittee is also of the view that the small business sector is a better fit to match the small labour pool that exists in rural Saskatchewan. Trying to attract large firms with hundreds of employees is unlikely to be very successful in most areas of rural Saskatchewan, because of the lack of a large labour pool.

### **Keys Drivers Needed to Create a Successful Business**

The development of a thriving small business sector in rural Saskatchewan means that creating viable small businesses will be a key element to achieving this objective. During its deliberations, the subcommittee developed the following list of key requirements for creating a successful business:

#### Inputs

- Project idea
- Human resources (leadership, management, technical expertise, training)
- Source of supply of inputs
- Capital (equity and debt for fixed assets and operating costs)

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<sup>5</sup> In this report, the small business sector includes, agri-value enterprises located on and off the farm.

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#### Government Role

- Infrastructure (utilities, transportation)
- Regulations (environmental assessment; programs and policies)
- Taxation
- Government attitude toward business development
- Attitudes
- Community support for the project
- Community involvement in site selection
- Groups and individuals willing to work together to initiate and implement projects.

#### Markets for Products

- Product development

### **Role of Government and the Private Sector**

It is the view of the subcommittee that the Government of Saskatchewan must develop a regulatory and legislative climate that is conducive to creating a thriving small business sector in rural Saskatchewan. This means that government policy must focus on reducing roadblocks that hinder the establishment of small businesses. The subcommittee is also of the view that government policy can also play a positive role in developing the small business sector.

The private sector has the major role to play in establishing a thriving small business sector. If the proper business climate is established by the province, it is up to private entrepreneurs not government to create the new businesses and opportunities.

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## **Summary of Recommendations**

The subcommittee has developed a series of recommendations based on information they obtained through a literature review, meetings with individuals and a review of written submissions.

The subcommittee believes the recommendations will enhance the development of the small business sector in rural Saskatchewan. It is critical that the small business sector more fully develop in rural Saskatchewan to offset the decline in employment in the primary agriculture, especially in the crops sector. The further development of a profitable small business sector will enhance employment opportunities in rural Saskatchewan, which will mean more opportunities for people to remain in rural Saskatchewan.

## **I. Recommendation on Governance and Coordination**

**That the Government of Saskatchewan initiate a process to enhance coordination of rural economic development activities between federal, provincial and municipal governments to ensure greater effectiveness, efficiencies and accountability.**

**a) As part of this process, it is recommended that the province establish a voluntary program that encourages municipalities in a region to cooperate in a Reeves-mayor's council similar to that initiated under the Regional Parks Program. For example, under this program, the council could qualify for assistance (financial and technical) to establish a coordinating office and coordinating opportunities fund. Criteria could be as follows:**

1. A minimum of 5 to 10 municipalities (urban and/or rural);
2. Coordination of standardization of weight limits, environmental controls, zoning, etc;
3. Cooperation on infrastructure of waste management, water inventory and the availability of their resource;
4. Cooperation on (housing, office space, and warehouse) inventories; and
5. Standardization of tax structures and policies that affect the tax structure.

- b) It is also recommended that the Government of Saskatchewan along with the Government of Canada examine the concept of developing co-terminus boundaries as a means to create a more conducive and comprehensive environment for their service delivery and rural economic development planning.

## **II. Recommendation on Business Start-ups**

It is recommended that the Government of Saskatchewan carry out a thorough review of the programs implemented in Ireland to assist in the development of business startups. The focus of the review would be to determine whether the Irish programs would be applicable for Saskatchewan. If the programs are applicable, it is recommended that the province implement similar programs in Saskatchewan.

## **III. Recommendation on Immigration**

This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: “That the Government of Saskatchewan promote immigration of families and extended families and that the obstacles for professions such as teachers and nurses be eliminated, and that farmers and agriculture workers be considered as a priority and that potential partnerships be developed with First Nations for the utilization of labour and Treaty Lands as well as provincial farm lands.”

## **IV. Recommendation on Accessing Capital**

- a) This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: “That the Government of Saskatchewan dedicate a pool of financial resources to create a venture capital fund that can be accessed by professional financial management firms to leverage private capital. Such a fund will be arms-length from government, managed by a financial management firm and utilize a transparent formula designed to ensure that venture

capital funds utilizing public investment are required to invest in Saskatchewan companies, employing less than 300 people and having 25 percent of their paid workforce headquartered in Saskatchewan based on the ratio of public and private capital in the fund. The amount of money invested in Saskatchewan ventures would be based on the percentage of government funds in the total venture capital fund.”

For example, if there is a \$25 M agri-value venture capital fund of which 70% is public investment and 30% is private, the fund will be required to have 70% of its investments in Saskatchewan ventures.

- b) That senior levels of Government examine the feasibility of creating a program aimed at leveraging private capital for investment in small ventures.

## **V. Recommendation on Business Education in The Classroom**

That the Department of Education, Department of Economic and Co-operative Development, the Saskatchewan Chamber of Commerce, the Saskatchewan Teacher’s Federation and Federation of Saskatchewan Indian Nations (FSIN), among others, work together to develop a curriculum component for the primary and secondary system that is dedicated to business/ entrepreneurship education.

## **VI. Recommendation on Broadband Services**

That the Government of Saskatchewan coordinate its Community Net initiative with any future federal initiatives that may be developed in response to the recommendations from the National Broadband Task Force.

- a) That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most efficient provision of health care services in rural and remote Saskatchewan.



- b) That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most effective provision of educational services in rural and remote Saskatchewan.
- c) That the Government of Saskatchewan create and implement an education and training program that enables rural and remote residents and businesses access to training in order to fully understand and utilize computer and Internet services provided through Community Net.
- d) That the Government of Saskatchewan provides appropriate funding for help desk services for rural and remote Internet and computer users.

## **VII. Recommendation on Attitude**

That all provincial associations/organizations, such as the Saskatchewan Chamber of Commerce, Saskatchewan Association of Rural Municipalities (SARM), Saskatchewan Urban Municipalities Association (SUMA), Federation of Saskatchewan Indian Nations (FSIN), all media etc., jointly develop and commit to an action plan to build positive attitudes and promote the attributes of rural Saskatchewan.

## **VIII. Recommendation on Rural Housing**

That the Government of Saskatchewan develop an Internet based central cataloguing system of available Sask. Housing units for rent or purchase in rural Saskatchewan.

## **IX. Recommendation on Leadership**

That the Government of Saskatchewan and the Government of Canada work together to implement a province-wide mentorship program where, for example, a project manager would be assigned to a non-profit project in a community to work with the volunteers for a period of time up to 60 days, to initiate the planning process and provide direction and experience of navigating through the regulations of government and financial institutions.

## **X. Recommendation on Aboriginal Impact**

It is recommended that the Government of Saskatchewan initiate discussions with the Government of Canada to provide mechanisms for First Nations people and their communities to access federal programs and services initiated at the provincial level.

That the Government of Saskatchewan begin the process of removing barriers, to provincial programs and initiatives, that prevent First Nations participation.

That the Government of Saskatchewan implement policies that encourage the private and public sector to forge partnerships with Aboriginal organizations, and that the public sector be encouraged to establish and implement targeted, set aside policies for Aboriginal providers of goods and services.

## **XI. Recommendation on Community Development Granting Foundation**

That the Government of Saskatchewan form a Task Force to study the feasibility of establishing a foundation similar to Ontario's Trillium Foundation that would support rural community economic development initiatives.

# REVIEW OF WRITTEN SUBMISSIONS<sup>7</sup>

There were 65 written submissions that were addressed to ACRE concerning the future of rural Saskatchewan. The subcommittee read and discussed the issues, concerns and ideas that came directly out of the grass roots of rural Saskatchewan. There were several repeated key issues that need to be highlighted.

## **The staggering farm economy from reduced market place returns.**

- Low Return on Investment (ROI) is not attracting new entrants or venture capital to help rebuild the aging agriculture sector.
- Off farm income is subsidizing farm operations. (If the farm is losing money, why farm if alternate income is the controlling issue.)
- The subcommittee did not examine the safety net process but it was repeated many times that safety nets need to be enhanced.

## **Urban Rural Economic Bidding War.**

- Urban cities, especially Regina and Saskatoon, lure business into their cities, having a customer and tax base to do so; this further centralizes rural Saskatchewan.
- There seems to be no concern from urban Saskatchewan about rural Saskatchewan problems. Rural structures and services are still expected to be there when needed by urban residents.

## **Taxes.**

- A heavy burden on the rural economy especially school taxes on farmland.

## **The province's crumbling infrastructure.**

- Abandonment of rail beds and rural elevators.
- Roads in need of repair.
- Rural health care deteriorating.

- Small businesses need to have access to utilities (hydro, natural gas, water) and communication services (high speed Internet, multi phone lines, cellular coverage).

## **The creation of new and innovative businesses that would empower and employ rural Saskatchewan.**

- The need for real steps to have a small business succeed (less talk more action).
- The rural economy needs advantages over urban to compete.
- Mentorship (business education) of new businesses along with wage and tax subsidization.

## **Attitude.**

- Rural Saskatchewan is loaded with apathy.
- Years of struggle and the deterioration of the economy have been discouraging.
- This attitude is reflected on the succeeding generations as they see opportunities across other borders.

There was an underlying message for the government of Saskatchewan - Action Not Reaction - do what you say you are going to do! - Putting the people of Saskatchewan first.

In conclusion there is no silver bullet to the process of revitalizing rural Saskatchewan. There must be encouragement of local leaders to be innovative and aggressive. Rural Saskatchewan wants to take ownership of their ideas and is looking towards government to provide them with the tools to do so.

The subcommittee would like to thank all that took the time and energy to forward their thought and ideas to ACRE.

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<sup>7</sup>Saskatchewan Economic Developers Association and Community Future Development Corporations were polled for their views and their responses were considered in making the recommendations.

# RURAL ECONOMIC DEVELOPMENT: VIEWS ON THE CRITICAL FACTORS TO SUCCESSFUL RURAL DEVELOPMENT

## The views of David Freshwater

Professor David Freshwater, a Canadian Professor at the University of Kentucky has spent many years studying the issue of rural economic development. In November 1999, Professor Freshwater released a report called “Rural America at the Turn of the Century”. In November 2000, Dr. Freshwater published three papers on rural development. These papers were based on presentations given by him at three conferences in June 2000.

A review of the literature on rural economic development suggest that the views of Dr. Freshwater are very similar to views held by other economists and rural economic development experts. Thus for the purposes of brevity, this report will summarize the views of Dr. Freshwater. The following section summarizes the major themes in the four papers.

### Employment in Rural Areas

The central issue in rural development policy for all levels of government, national, state and local is how the chances to enhance employment can be improved. Enhancing employment opportunities in rural areas is a necessary condition for economic development to occur.

It must be recognized that, for most people, labour markets are not international or national in scope, but are local. The key challenge in designing employment policy for rural areas is to develop programs that deal effectively with small numbers of people that seek employment in a labour market that is both thin and geographically large. Thus employment policy may be significantly different for rural areas vs. urban areas. Sufficient flexibility in employment policy should be developed to allow local labour markets of various sizes to function more efficiently.

In terms of developing an employment policy, there needs to be a balance of recruitment (of firms outside local areas) and locally based development if employment opportunities are to be expanded.

Recruitment of outside firms is an ongoing process. It is this phenomenon that makes the effort to improve labour force qualifications important. When the recruited firm leaves the community, if human capital has been improved because of the firm, then the chances of finding a replacement enterprise improves.

With respect to employment programs, entrepreneurship or self-employment initiatives must be an important part of any employment oriented development strategy. While it can be demonstrated that entrepreneurship is an effective means of economic development there is less certainty of how to bring it about. Developing an interest and aptitude among the local population in starting and operating small businesses is not easily accomplished.

However agriculture, in particular, provides ideal training for other types of businesses as farmers have developed many of their skills necessary to run a business. Thus areas with a large farm population are particularly suitable for efforts to encourage entrepreneurship.

### Role of Agriculture and Other Resource Base Industries in Rural Development

Rural development policy has historically been formulated as agricultural policy. In fact it is very difficult untangling agricultural policy from rural development policy. However the changing structure of agriculture, with larger farms and a smaller agriculture population along with an increased importance of non-agricultural industry in rural areas has meant that traditional farm-based development programs no longer have any meaningful effect on most rural areas and to a considerable degree have little impact on a large share of remaining farms.

It would appear that for most rural places, natural resources promise little future income growth. (The subcommittee is of the view that while there is little future in resource extraction, there are large opportunities in adding value to the resources before they leave Saskatchewan.) The rural labour force

has always been characterized by a lower level of educational attainment and formal skills than were to be found in urban areas. Historically this did not matter as employment could be found in the natural resource industries, however these opportunities are declining.

### **Role of Local Communities**

Successful rural development is almost always a fundamentally local phenomenon. Ultimately, successful rural development depends on local initiatives. The magnitude of the required changes and the high degree of variability in the nature of appropriate changes for individual places suggest that national governments will not be able to provide a lot of support.

In developing rural development policy, it is important that national and lower levels of governments think about specific types of rural policy interventions. By their nature national policies are broad in their scope and may not address the specific needs of smaller rural places. Thus, local governments can play a role in creating an environment in which national policies can work more efficiently.

Rural areas have to define development strategies that are appropriate for them, not be forced into accepting one's that have been defined by urban interests. As the agriculture sector continues to decline, rural communities will evolve in very different ways once they progress beyond being farm dependent. This makes a national rural policy that does not have a strong role for local leaders unlikely to be effective especially in large nations like Canada and the US.

Locally based development strategy has some obvious deficiencies:

- The first is that it sets up competition among communities in search of employment and income;
- Communities perceptions of their future development opportunities are conditioned by their past experience. Thus, agriculturally dependent areas typically believe their future will be in agriculture, or perhaps in food processing or agro-tourism, but not in manufacturing. While

this is a sensible strategy in a stable economic environment, it is likely to be inappropriate in a economic environment that is changing rapidly;

- Rural residents need to develop partnerships that can serve individual needs. Yet residents of rural areas generally lack the important interpersonal skills for organizing such partnerships. The traditional rural ethos of independence and self-reliance becomes an impediment to forming large enough groups to become effective; and
- Another inherent characteristic of rural places is a resistance to change. It is argued that rural society is traditional, conservative, and detached from the sources of innovation.

### **Influence of Technology and Infrastructure in Rural Development**

Changes in technology and in patterns of trade have had a very large impact on rural areas because they are much more exposed to changes than in most city economies. Other than the service sector, very little economic activity in rural areas is buffeted from external competition.

The development of modern telecommunications has enhanced the opportunity for the niche marketing of small-scale products. E-commerce will play a large role in the future development of rural areas. The critical question is how well positioned rural places, businesses, and people are to make use of the Internet.

To take an advantage of the Internet, communities must have an adequate telecommunications infrastructure and access to an Internet service provider. Secondly, access depends upon having a computer and the skills to operate it, as well as the financial means to pay for connection charges.

### **Rural Change and Rural Development Policy**

Historically government policy has focussed on a sectoral or place-based approach. This approach is unlikely to be as successful in the future as it was in the past as traditional rural sectors like agriculture and resource-based industries are shedding jobs and replacing labour with capital. In addition to less direct employment there is also less indirect employment as industrialization of these sectors

replaces local linkages with linkages to larger regional or national economy as a source of inputs and markets.

Support for resource sectors now provides little benefit to rural areas because a declining share of the rural population is engaged in this type of work. Well after agriculture has ceased to be the dominant force in much of North America, it continues to drive the policy process, to the harm of rural development.

Most importantly the new environment has shifted the critical element that defines economic function and success from land (natural resources) or place to people. Aid to places is also less successful because assistance for infrastructure development has little long-term effect if the community does not have an economic function.

Rural development policy should therefore focus on helping people. Helping people means ensuring people have the appropriate skills, thus employment policy should emphasize the accumulation of human capital especially a strong general education.

It is important that there is an emphasis on education, especially continuous learning; a recognition that the economic base of a community is likely to continually evolve so development efforts have to be an on-going task.

Effective long-term rural development policy will have to be supportive rather than leading. In addition, it is important that rural employment impacts be considered when making other types of rural policy. Longer-term policies must be less specific, however support for enhanced education is clearly a candidate, as it might be ensuring some minimal set of infrastructure is in place. Perhaps the most important factor could be ensuring that policy decisions do not have unintended negative consequences for rural areas.

In the new era, the future of the rural population will depend upon defining and developing industries that are competitive. In seeking government assistance, rural residents should press for development assistance rather than transfer payments.

Transition policies should be implemented that facilitate adjustment to a new economic structure, but are designed to terminate in a defined period of time, whether the adjustment is completed or not.

## **The Views of the Saskatchewan Chamber of Commerce**

The Saskatchewan Chamber of Commerce recently released its report: "Action Saskatchewan: A Blueprint for 2005". The report outlined a number of themes or areas that need to be addressed if Saskatchewan's economy is to move forward.

### **Business Leadership and the Size of the Private Sector**

The key to developing an economic strategy for Saskatchewan is the need for expansion of the province's tax base. The most important political issue facing the province today is the need to expand the private sector as a first step to regenerating provincial infrastructure, particularly in rural communities.

Most business leaders believe the government, especially the Government of Saskatchewan, is the catalyst for economic change and development. They place government at the centre of society, blamed for all the ills and the source of all solutions. Coupled with this view is the apparent underlying lack of confidence and reluctance to adopt new ways.

A direct reflection of the small private sector is the relatively small number of entrepreneurs in the province. Any desire to expand the tax base begins with a growing entrepreneurial class. These are the individuals who harness knowledge, capital, vision and initiative, which, in turn, result in job creation. In other words, everything begins with enterprise. This vision will be possible when the province boasts a culture that encourages start-ups, champion's entrepreneurial risk-taking and applauds economic achievement.

What is needed, therefore is a rebirth of the enterprise mentality that first established the province - when hundreds of thousands of people risked everything to leave their homes, travel across an ocean to an undeveloped land in search of a better life.

However, we currently lack the principal building blocks needed to create start-ups. Saskatchewan needs more entrepreneurs with the ability to translate an idea into a successful commercial venture capable of attracting capital and markets. Thus the business community must re-establish its identity before the process of business formation, job creation and then tax generation can occur.

### **Demographics and the Labour Force**

Saskatchewan is currently experiencing out-migration, particularly among the 20 - 25 year old category with the exception of the First Nations population which is growing. At the same time we experience labour shortages that could be filled by individuals in the same demographic group. Based on current trends of participation in the workforce, the province has extremely limited capacity to meet increases in labour demand. Simply put, Saskatchewan's labour pool is virtually used up. Therefore, the challenge lies in providing a mechanism for keeping Saskatchewan graduates in the province.

Another concern is the gap between the business community's needs and the education system's ability to fill those needs. For example, there is a lack of emphasis on trades and technology programs in the school system. Even though the high school curriculum has an academic bias, designed to provide students with enough credit hours to qualify for university entrance, only one in four high school graduates actually goes onto university. Providing a wider variety of educational options in high school - particularly in trades and technology - should be on the agenda.

Discussions (through focus groups) with high school students suggest that attaching employment opportunities to educational options in earlier grades may have a bearing on graduate retention levels. The focus groups also revealed that many young people make the decision to leave the province upon graduation in their early teens. Concepts such as internships, co-operative education, workplace experience, entrepreneurship or other non-traditional education-employer links offer a promising mechanism for helping them establish their roots in a Saskatchewan enterprise before the opportunity to leave presents itself.

### **Rebuilding Rural Saskatchewan**

There has been a sharp decline in the number of young working age people in rural communities as they seek employment opportunities elsewhere - either in the major cities or outside Saskatchewan.

Rural infrastructure decline has paralleled population decline and, should the province's citizens reach a consensus that rural regeneration is a priority, a significant reinvestment and re-population of rural communities will be required. Rebuilding rural Saskatchewan through a concerted policy of diversification and private sector growth would turn the discussion to one centred on expanding, not contracting, rural infrastructure.

### **Future Opportunities**

#### **a) Agriculture**

It is time to move deeper into the value chain, to restructure the system from a supply-driven mentality to one predicated on identifying consumer demand and filling it in a timely manner with consistent supply and quality.

Finding mechanisms that will lead to more intensive forms of agriculture are a priority. Selecting crops that move top line revenues from a couple hundred dollars per acre to a thousand dollars or more per acre may be the most powerful economic tool we could conceive.

#### **b) Aboriginal Participation**

This segment of the population represents a significant opportunity. As the Western world begins to feel the effect of a retiring baby boom generation, Saskatchewan is uniquely positioned with a second baby boom population. Engaging them and ensuring they find their way into the workforce and business community in an effective manner is the challenge.

There must be improved communications between the business sector and the Aboriginal community, particularly in the area of human resource training and development. The successes in uranium, gaming and forestry industries were due in part to the training and development programs.

### c) Start-ups

Underlying all the findings contained in this report is the paramount need for Saskatchewan to create a larger, more vibrant private sector.

Experience shows the most effective source of growth is expansion of existing enterprises. Fostering a culture that precipitates large numbers of new business start-ups is the second component of the plan. The third source of growth is attracting new businesses.

One shortfall to economic development often cited by the business community is a lack of investment or risk capital within the province but there is significant evidence pointing in the opposite direction.

### d) External Image and Promotion

One recommendation for a first step that emerged from the Town Hall process, centered on capitalizing on the network of ex-patriots now living around the world. One estimate put the figure at 800,000 people who once called Saskatchewan home.

### e) Tourism

Growth in this field is well documented but the potential, particularly in rural areas, remains significant. Major growth areas could include selling Saskatchewan's pristine environment, promoting Saskatchewan summers in the southern United States as a mirror image of Canadians going south in the winter and taking advantage of the Europeans interest in First Nations culture.

## The Views of Jack Stabler and Rose Olfert

Jack Stabler and Rose Olfert recently completed a paper for the Prairie Farm Rehabilitation Administration (PFRA): "Developing The Prairie Rural Economy - Planning for Change". The paper is a research proposal to examine comprehensively how the prairie region can adapt to change. The first two sections of the paper provides a description of the current situation and a potential policy framework. The following is a summary of these two sections.

## The Current Situation

There are a number of trends that are occurring on the prairies, these include the following:

- The rural economy is changing rapidly with rural communities experiencing various rates of growth and decline;
- Communities heavily dependent on grains and oilseeds are experiencing widespread decline in employment and population. New types of economic activity (primarily service-based) do not grow at a rate sufficient to offset the decline in agriculture.
- Communities with a much more diversified economic base are stable or growing;
- Farm families have grown increasingly dependent on off-farm employment, very often in the public sectors, located primarily in the larger rural communities.
- Over large parts of the prairies, the rural population is highly integrated with urban centres, whether through employment or the purchasing of goods and services.

## Economic Future of the Prairie Rural Economy

The paper suggests that any analysis of the future of the Prairie rural economy must recognize three realities:

- The future for grain production is not optimistic. Continued consolidation is likely to continue, which in areas heavily dependent on grain production means larger farms, fewer farmers, loss of support for rural businesses and the loss of public services.
- Additional diversification where possible will create additional employment, which help support rural communities, businesses and public services.
- Employment of rural dwellers in the larger rural communities contributes far more to the income of farmers (and non-farmers) than does net farm income. The future of farming on the Prairies and that of the entire rural economy is closely

tioned to the economic viability of the Prairie region's larger communities.

## Policy Framework

There is a need for a new approach to rural development policy because of the change in the agricultural environment. These changes include the loss of the rail transportation subsidies under the old Western Grain Transportation Act, "the Crow Benefit", and the lack of large-scale support for producers. As a result, there has been a continuing exit of smaller and mid-sized farms. Farms that do remain are dependent on the presence of off-farm employment opportunities within commuting distance of the farm population.

Due to the increasing interdependence between the farm and non-farm population, traditional sector approaches to rural development cannot properly address the concerns of all communities. Despite the need for a broader rural policy, traditional agriculture-based policies continue to dominate rural policy. The view that a healthy agriculture makes for a healthy rural economy is no longer true.

The paper suggests that there are two policy directions that can be taken with respect to rural development policy:

### a) The Market Solution

If the current agricultural policies continue and only modest efforts are made in rural development, then a market driven solution will result. A market driven solution will likely result in only 10 to 15 thousand farms in Saskatchewan (at an average farm size of 5000 acres). To quote: "While these farms will be more efficient, the exit of 40 to 50 thousand farms will further reduce population densities". To further quote:

***"Because the presence of farm families helps support the public and private service and trade functions in rural communities, a smaller farm population would mean smaller markets. Fewer local trade and service demand thresholds would be satisfied***

***and off-farm jobs would seriously decrease. It would become more difficult to recruit a local labour force for a potential new manufacturing plant as population densities thinned. Rural community decline would continue, and probably accelerate. The cost of this type of adjustment would be borne by individual farmers who sold their fixed assets at depreciated prices, by business people in small communities where profits declined (or businesses failed), and by provincial taxpayers as undepreciated infrastructure became redundant.***"<sup>8</sup>

### b) A Rural Development Approach

A second option would be the development of a comprehensive rural policy. In developing a rural policy, it must be recognized that rural development cannot be addressed through agricultural policies, although agricultural policy would have a role to play (mainly through stabilization policies) in agriculturally dependent areas.

The successful application of this approach suggests that understanding how rural economies function is a necessary prerequisite for developing a policy framework.

For example, more information is needed "on the strengths and weaknesses of the network of rural communities, the type and degree of integration between rural and urban areas, the size and characteristics of the labour force, and the projection of inherent trends."

It is critical that the direction be set for developing a rural policy in the very near future. The significant deterioration in the grain economy and increasing pressure on farmers to exit the industry means that measures have to be acted upon quickly. The continuing loss of farm population and the resulting decline in population density would mean that the critical mass of people necessary to maintain a functioning rural economy would be lost.

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<sup>8</sup> Stabler, Jack and Rose Olfert, Developing the Rural Economy - Planning for Change, prepared for PFRA, no date, page 7.



## Development Initiatives in Ireland

In the late 1980s, the Irish economy was in deep trouble with high unemployment, high inflation, high taxes and a high immigration rate especially amongst its young people. In response the Irish government initiated a number of steps to try to improve their economic performance. The subcommittee met with the Acting Irish Ambassador to discuss how Ireland had turned its economy around. (Section IV of the report describes the discussion with the Acting Irish Ambassador.)

The following section describes some of the Irish initiatives that the subcommittee thought would be most applicable for Saskatchewan.

### Enterprise Ireland

Enterprise Ireland is a government agency that works with Irish businesses to help develop and strengthen Irish industry. The focus of these initiatives are on business start-ups. The following is a brief description of the programs as found on the Enterprise Ireland Internet site:

#### a) Development Advisory Service

Enterprise Ireland will assign a Development Adviser to each client company in manufacturing or internationally traded services. The Development Adviser acts as a primary point of contact giving access to the full range of Enterprise Ireland solutions in an efficient and effective way. The services are delivered as part of a structured development process. The services of the Development Advisor include:

- Helping to evaluate and develop the new business concept, including challenging and assisting in formulating the business plan;
- Providing both practical and financial assistance for a feasibility study leading to the business plan;
- Introducing the entrepreneur to potential business partners, investors and financial and legal advisors;
- Financial supports including management development, employment grants, capital grants and equity investment; and
- Access to the full range of Enterprise Ireland services such as: overseas offices, specialist

technical expertise, market research resources, etc.

#### b) Mentor Network

The Mentor Network is geared towards a young or small to medium enterprise looking for an experienced business advisor. Enterprise Ireland maintains a countrywide panel of high calibre voluntary mentors, consisting mainly of retired or semi-retired managers across all areas of business. Enterprise Ireland will match them with the needs of companies seeking to grow. Mentors will confidentially provide strategic guidance and practical, reliable advice drawing on their wide experience gained in senior positions in industry.

The Mentor Network Enterprise Ireland also acts as a matching and introduction service between private investors, known as “Business Angels” and projects seeking equity. (Business Angels is a list of high net worth individuals, maintained by Enterprise Ireland, who wish to provide initial equity in different projects.)

#### c) Feasibility Studies: grant programs

The Feasibility Study Grant Programme helps businesses and individuals evaluate the viability of a new manufacturing or international services project. Grants may be available from Enterprise Ireland towards supporting feasibility studies such as investigating the viability of manufacturing a completely new product or process. Typical elements involved in carrying out a feasibility study include market research, cost analysis, financial projections, manufacturing process assessment, plant evaluation, raw material sourcing and prototyping. Negotiating with potential joint venture partners or obtaining a manufacturing licence may also be included.

Grants of up to 50% of the cost of the feasibility study may be available up to a maximum of £15,000 (\$26,400 CAD) grant per study. Applications are considered on a case-by-case basis to assess the eligibility of the detailed proposal and associated costs. The grant amount is determined following this assessment. Individuals, groups or companies based in Ireland may be assisted under this programme.

d) Millennium Entrepreneur Fund

Jointly sponsored by Enterprise Ireland, L.M. Ericsson Ltd., Bank of Ireland, Mr. Neil McCann and the European Union, the Millennium Entrepreneur Fund is aimed at people who have:

- A record of achievement in the international business arena;
- Higher educational qualifications or equivalent training and experience;
- Exciting ideas for a new technology-based business, based on that experience;
- The drive and ambition to grow the business fast;
- Possible partners in mind for a strong entrepreneurial team; and
- Irish nationality, or a key Irish national on your team, and willing to return to Ireland. For those businesses that meet the qualifications, the Fund will provide:
- Seed Capital investment of up to £100,000 (\$176,000 CAD);
- An experienced Company Mentor to work closely with the entrepreneur on key business aspects;
- A Patron Company (a successful Irish based company) to advise and counsel the entrepreneur; and
- An Enterprise Ireland Development Advisor to assist in all aspects of business development.

e) Fast Track Start Up Companies: support

This program is specifically targeted to meet the needs of high calibre, experienced managers, academics and entrepreneurs creating and building new companies likely to reach significant scale quickly with significant growth and export potential. Specialist executives employed by Enterprise Ireland work intensively with these companies and provide the following services:

- Multi-disciplinary development teams specialize in helping potential entrepreneurs develop their concepts into commercially viable business plans;

- The teams advise and assist in all aspects of the crucial start-up phase; and
- Continue to provide advice and support, as the new enterprise grows to its full potential.

This program is targeted to companies with the following attributes:

- Is in manufacturing or internationally traded services;
- Based on technological innovation or exploitable market niche opportunity;
- With credible projected sales of at least £0.75M (\$1.32M CAD) and at least 10 jobs by Year 3;
- With longer term potential to significantly exceed these levels;
- With export potential; and
- Being established by experienced managers, academics or technical graduates.

#### **City and County Enterprise Boards**

Thirty-five City and Country Enterprise Boards were established in 1993 by the Irish Government to assist in the establishment and the development of small businesses (10 or less employees) through grants and soft management support at the City or County level. The Boards derive most of their funding from the European Union. An examination of a number of Enterprise Boards on the Internet, would suggest that the Boards provide grants for feasibility studies, the development of business plans and provides training and management development programs.

# A SUMMARY OF MEETINGS OF INDIVIDUALS WITH THE SUB-COMMITTEE

During the course of the subcommittee's work, the subcommittee met with a number of individuals to discuss potential tools for economic development. The following is a summary of the meetings and post meeting discussions that took place.

## November 9, 2000

### Meeting with Bill Matlock

The subcommittee met with Bill Matlock, the Chair of the Great River Lakes Regional Development Authority and the Midsask Community Futures Development Corporation to hear his views on economic development. His views on economic development include:

- Saskatchewan is over governed and Saskatchewan needs larger entities to help with economic development;
- Need more local control and less interference from provincial and federal governments;
- A potential idea is for the province to give money to a local area and let them decide how to spend it (on education, health, municipal government etc) A pilot project could be done which would give money to a particular area for one year;
- Need less duplication and a more coordinated effort in order to improve the effectiveness of economic development programs. This means economic development programs must be done on a large area basis rather than on a small area basis. Two groups in the Outlook, Davidson and Central Butte Areas: the Mid-Sask Community Futures and the Great River Lakes Development Authority have merged their Boards in order to save on administration costs, reduce duplication and improve the co-ordination of programs; and
- Rural Saskatchewan is running out of time with respect to developing new economic activity to offset the decline in agriculture.

## April 10, 2001

### Meeting with Randy Beattie - Prairie Financial Management

The subcommittee met with Mr. Beattie who is a partner in a venture capital company. The company has been in business for 11 years and operates a number of funds. The discussion focussed on Venture Capital Investments and their funds, in particular the Crown Ventures Fund and the Saskatchewan Growth Fund that mainly invests (75% to 80% of their money) in rural Saskatchewan.

The Crown Ventures fund provides long-term equity (7 to 8 years) to companies with a work force of less than 300 people and where 25% of the payroll is generated in Saskatchewan. The fund invests in four areas: agri-value, oil and gas, manufacturing and information technology. The fund places equity, debt and sub-debt and hopes to generate a 20% minimum return on its investment. The fund does not generally take a majority position in a company, but looks to work with the company's management in providing skills that may be missing from the company's management team.

Mr. Beattie also provided his views as to the role of government in providing capital to companies. He felt that with respect to direct government investment, they should concentrate on ventures that are over the \$20M to \$25M range. For investments under this amount (\$10M to \$15M range), the government should partner with other investors, i.e. banks, venture capital etc. and provide capital to investment funds. (Over the long- term, the government share of capital should be limited to one third of the fund, however this may have to be higher in the start up stage.) The investment funds would then be managed by professional managers. As part of its investment strategy the government could set its own goals for investing and invest in those funds that meet these goals. This investment strategy would be similar to the successful investment fund in Alberta called Ventures West.

Mr. Beattie identified two benefits from this investment strategy. First, by employing professional managers, this removes government and (political interference) from direct involvement in investments. Second, it builds up the venture capital fund industry (human capital) in Saskatchewan.

Mr. Beattie also suggested that this strategy did not solve the problem of financing the \$150K to \$1M investments. Venture capital funds are not interested in these investments, as they require too much work relative to the amount of the investment.

In response to a question about returning to the Community Bond Program, he indicated that he did not prefer returning to this program as the government guarantee could result in less due diligence of investments with more weight given to the guarantee. He suggested that current tax credits for investment would provide the same benefits of stimulating investments.

The subcommittee felt that a proposal for professionally managed investment funds partially funded by government was a good way of leveraging funds for venture capital. The committee also felt that government money invested outside Saskatchewan could also benefit Saskatchewan depending on the type of investment.

## Meeting with Paul Martin

The subcommittee met with Paul Martin a co-author of the Saskatchewan Chamber of Commerce Report: Action Saskatchewan: A Blueprint for 2005. His presentation focused on three themes: the demographic situation in Saskatchewan, the agriculture sector and the small private sector.

### Demographic Situation

- Saskatchewan has a high dependency ratio, a lot of kids under 15 and lot folks over 65. The ratio is much higher in rural Saskatchewan;
- There is a large out migration of young adults in the 20 to 25 year age range, the majority whom go to Alberta;
- The aboriginal population is much younger than the provincial population, with a very large number of children under 15 years of age. They have the potential to be a large source of labour for the future work force;
- The challenges facing Saskatchewan include: how to keep young people in Saskatchewan, how to improve the education levels of the young native population and how to link up the young native population with employees.

### Agriculture Situation

- Saskatchewan specializes in low value production and we process very little of what we do produce;
- We need to look at revenue per acre rather than production per acre;
- Saskatchewan, which has the lowest revenue per acre, has to increase revenue per acre;
- Livestock will be a key to raising revenue per acre;
- We need a strategy that drives revenue; and
- Part of the strategy is a change in attitude from the monoculture attitude to an intensification of agriculture attitude.

### Small Private Sector

- Saskatchewan has a very small private sector and a very small tax base;
- Need small business development especially in rural Saskatchewan - we need to make rural Saskatchewan viable again;
- The place to start is in agriculture; and
- Two critical areas in this development is have farmers go to accrual accounting so they have a better way of evaluating their business, and the need to intensify their operations i.e. increase revenue per acre.

**April 24, 2001**

## **Meeting with Bob Hersche to Discuss the Community Net.**

The subcommittee met with Bob Hersche, a government official with the Provincial Information Technology Office, to discuss the Community Net Program. The discussion began with a short review of the current status of high-speed Internet access in Saskatchewan. The major centres in Saskatchewan currently have high-speed Internet however, because of the cost, rural areas do not have access to this service. Due to the high cost and low and dispersed population, no private firm will likely supply service to rural areas.

In response the government is developing the Community Net model to deliver high-speed Internet service to rural Saskatchewan. Under this model, the public sector (schools, government offices, Health etc.) will be the anchor tenant for the system. This model allows the system to be built at a lower cost and provides a critical mass to advance the development of the infrastructure. It is estimated that it will take 2.5 years to complete this project.

Community Net will provide the anchor for SaskTel to explore the expansion of high-speed commercial offerings to an increasing number of communities. With the advent of Community Net, SaskTel anticipates it will be able to re-evaluate expansion plans on a yearly basis and continue to expand high-speed Internet in an economically feasible manner, ensuring that the majority of the Saskatchewan population can benefit from high speed Internet service over the next five years.

Bob suggested that the role for government in providing high-speed Internet access is to:

- provide access to the infrastructure;
- support business in the adoption of e-commerce;
- provide citizen skills development;
- creating the environment - what we can do with the internet; and
- leading by example - e-government.

The introduction of the Community Net will give rural areas equal access to services; enhance local and regional participation amongst its citizens and increased economic opportunities. The key

question is what will communities do with the Internet once the infrastructure is in place. The major factors affecting the uptake of the Internet are income, skills and geography. The problem is that there are not enough people in rural Saskatchewan with the high tech skills to make use of the Internet. Mr. Hersche felt a provincial help desk would be quite useful in assisting rural residents in running their computers and using the Internet. The subcommittee agreed with Mr. Hersche and felt that the key issue for the uptake of the Internet in rural Saskatchewan would be enhancing computer knowledge and skills for rural residents.

## **Meeting with Michael Fix, Crown Investments Corporation (CIC)**

Mr. Fix, Vice-President of Corporate Development at CIC, began the meeting by giving background information as to why it is often difficult for Saskatchewan businesses to attract venture capital. He categorized the factors behind this problem into two areas, real concerns and perception concerns. In the first area, venture capital wants to be close to their investments and Saskatchewan is a long distance away from existing sources of the venture capital. Second there is limited internal capacity because of the small venture capital industry.

With respect to perception problems, there is a negative attitude about Saskatchewan by outsiders and venture capital companies who don't believe they can make money here and/or that there aren't businesses to invest in. Saskatchewan needs to celebrate and communicate its business successes to assist in changing these perceptions.

Mr. Fix then outlined CIC's investment strategy. The main goal of the strategy is to increase private participation in the economy and have them take a major role in investing. To accomplish this, CIC is prepared to take a lead role to encourage private capital (up to one of third of a company's equity position). Secondly, the province would like to develop our own private sector venture capital industry, which would help the accessibility to capital issue and sell the province as a place to invest.

The entry point for CIC to invest is \$5M. Although CIC's return expectations are commercial they are also dependent upon the risks associated with a

specific investment. They currently have money in two private sector managed investment pools or funds. CIC is also considering investing in a venture management company. This company would invest in “idea” companies who have new technologies or are on the “cutting edge” of developing new intellectual properties. The venture management company would provide start up help in terms of arranging financing, developing business plans, securing patents or licenses etc. in return for an equity position in the start up operation.

With respect to investment in agriculture related ventures or primary agriculture, it is very difficult to attract equity from private sector investors for many of the same reasons identified above but also because many agri-based businesses do not provide a competitive rate of return that investors may find in other sectors of the economy. Also when equity capital is available many people in Saskatchewan do not want to give up an ownership position in their enterprise.

There was a discussion of the role of Saskatchewan Opportunities Corporation (SOCO) in providing capital. The subcommittee felt that SOCO financing was expensive and they needed to be more flexible in their payment terms. However, Mr. Fix also suggested that reducing expected returns on public investments would make it more difficult to build private sector venture capital capacity in the province.

**May 10, 2001**

### **Meeting with Donal Denham, Acting Irish Ambassador**

The subcommittee met with the Acting Irish Ambassador to discuss the changes in the Irish economy and the steps Ireland took to turn their economy around. In the late 1980’s the Irish economy was in deep trouble with high unemployment, high inflation, high taxes and a high immigration rate especially amongst its young people. The Irish government took a number of steps to try to improve their economic performance. These steps included:

- The formation of a social partnership between employers, unions and government (the volunteer sector was added later), which developed a consensus as to what direction, the country should take. The partnership developed a framework for both income and non-income areas of the economy, i.e. investment, infrastructure, health care and childcare and others. The government developed a set of priorities and targets and concentrated their resources on these areas. These areas included education, tourism, high tech, financial services and others;
- Setting up local development agencies called Local County Level Boards which would focus its efforts on developing local industries in rural areas;
- Reduced personal and corporate taxes as a way of attracting foreign investment;
- Developed an education strategy, which included free university education; and
- Established Enterprise Ireland a government agency. This agency is a one stop shop for Irish owned businesses involved in investment and export promotion to deal with, i.e. an interface between business and government. It also provides marketing advice for firms; especially start ups and works with businesses to do benchmarking studies.

During this period Ireland was also receiving significant transfers from the European Union, which was used to build up their infrastructure. Recently these transfers have been reduced.

The subcommittee discussed the Irish experience and its relevance to Saskatchewan. The subcommittee recognized that Ireland was a small-centralized country with a very centralized government structure and weak local government. In contrast, Saskatchewan has a large geographical area, a small dispersed population with strong local government. Thus, decision-making is more problematic in Saskatchewan. Despite these differences the subcommittee felt that there were a number of Irish initiatives that may be applicable to Saskatchewan. These included:

- The need for businesses to deal with one government agency, i.e. a single point of entry when dealing with government;
- A need for a targeted approach, Saskatchewan needs to target certain sectors. As part of the process of setting targets, it is important to get buy-in from all sectors of Saskatchewan society;
- The need to concentrate on local initiatives;
- The need for a group of consultants or experts to help start-up businesses with marketing and other problems; and
- The development of a stronger educational system to ensure that Saskatchewan residents have the necessary skills.

**June 20, 2001**

### **Meeting with Rob Greenwood**

Dr. Greenwood met with the subcommittee to discuss the restructuring of economic development delivery in Newfoundland. Rob is presently the Vice-President of Corporate Development for the Information Services Corporation of Saskatchewan. Prior to that he led the economic development strategy initiative for the Government of Saskatchewan. Before moving to Saskatchewan, he led the economic development restructuring initiative for the Government of Newfoundland.

The starting point in Newfoundland was similar to Saskatchewan - there was a broad range of groups doing economic development. These included 58 Rural Development Associations (RDAs) and the Newfoundland/Labrador Rural Development Council (NLRDC), 17 Community Futures groups, 15 Business Development Centres, and others. Overall, there was poor cooperation between groups, overlapping mandates and unsatisfactory results. A task force was established to sort out and make recommendations. The end result, through an inclusive process, was the dividing of Newfoundland into 20 economic zones and establishment of Regional Economic Development Boards (REDB) for each zone. RDAs and Community Futures groups were discontinued as REDBs took over their responsibility for strategic planning and community

development. RDAs no longer received core operational support but could apply for project funding consistent with the zonal strategic economic plan developed by the REDB. The Government of Canada and the Government of Newfoundland signed a Strategic Regional Development Agreement (SRDA) to fund the core operational support for REDBs and to support projects and initiatives agreed to under performance contracts between the REDBs and the Government of Canada and the Government of Newfoundland. Other federal and provincial funds were to be guided by the performance contracts as well. Performance contracts were based on the zonal strategic economic plans.

With respect to an economic development strategy for rural Saskatchewan, Mr. Greenwood suggested the following:

- The importance of economic development being grounded at the local level.
- Government of Canada and Government of Saskatchewan buy-in and commitment is necessary if you want to be successful because there are so many roadblocks.
- ACRE has the potential to provide more direction for developing an economic strategy for Saskatchewan.
- There needs to be more coordination between federally supported Community Futures and the provincially supported Regional Economic Development Authorities.
- That small-scale manufacturing should be the #1 priority for diversification in rural Saskatchewan.
- That any ACRE recommendation related to zoning and economic development should say, "need to develop a process..." versus being too specific.
- The process should focus on economic development versus municipal amalgamation. He gave the example of Quebec where some municipal functions were transferred over time if parties wanted to do so.
- Can't have a split between urban and rural for successful economic development, therefore how Regina and Saskatoon fit in is important.

# CONCLUSIONS AND RECOMMENDATIONS

The subcommittee has developed a series of recommendations based on information they obtained through a literature review, meetings with individuals and a review of written submissions. The subcommittee believes the recommendations will enhance the development of the small business sector in rural Saskatchewan. As mentioned in the introduction, it is critical that the small business sector more fully develop in rural Saskatchewan to offset the decline in employment in the primary agriculture, especially in the crops sector. The further development of a profitable small business sector will enhance employment opportunities in rural Saskatchewan, which will mean more opportunities for people to remain in rural Saskatchewan.

## Recommendation on Regional Planning and Coordination

### Background

This subcommittee feels that Saskatchewan's potential for rural economic development would greatly improve if both economic development agencies and municipal governments moved towards increased coordination.

### Municipal Governments

Rural Saskatchewan is characterized by a large number of government entities, which are very local in nature. There are over 1000 municipal units in Saskatchewan (836 incorporated municipalities, 159 organized hamlets and 11 northern settlements). Saskatchewan has the second highest number of municipalities and the lowest average population per municipality in Canada. When compared to our neighbouring provinces, our average population per municipality is significantly lower at 1,225 persons compared to 5,665 in Manitoba and 7,856 in Alberta.

In its report, the Task Force on Municipal Legislative Renewal indicated that:

“Saskatchewan has one of the most fragmented municipal systems in Canada. This is particularly true of the number, and types of municipalities, but also in terms of municipal functions, finances and the jurisdiction of municipalities.

The system is also very diverse or differentiated rather than uniform or standardized, particularly in the sizes, functions, and finances of municipalities.”<sup>9</sup>

From the subcommittee's perspective, the issue is whether the municipal government structure and the overlapping of jurisdictional boundaries between local and regional authorities have had and are having an impact on economic development.

Determining whether the current governance structure is having an impact on economic development in rural Saskatchewan is difficult to prove. For example, it is hard to get actual data or evidence to suggest that because of Saskatchewan's governance structure, 500 businesses or 2000 jobs have not been created. The difficulty in quantifying these impacts, is similar to trying to quantify the impact of lower taxes or less regulation on economic development.

Despite the difficulty in providing concrete evidence on this issue, the subcommittee is quite confident that the current governance structure cannot be positive for economic development. The following illustrations point to the need for a more coordinated approach to economic development:

1. Sharing the costs and benefits of economic development: intensive livestock operations.

Many rural municipalities (RM) in Saskatchewan are reluctant to allow the establishment of intensive livestock operations. From an RM's perspective the establishment of an intensive livestock operation in the RM brings many extra costs (such as increased road costs and vocal opposition from local rate payers concerned about odour), but generates minimal tax revenues.<sup>10</sup>

<sup>9</sup> Government of Saskatchewan, The Task Force on Municipal Legislative Renewal: Summary of Interim Report, February 2000, page 1.

<sup>10</sup> Some large hog operators are paying extra monies to RM's to cover off some of the increased costs, in order to get approval to establish their operations.



In contrast, the neighbouring towns and villages receive the benefits, as employees of the operations would tend to live and generate economic activity in neighbouring towns and villages. The towns and villages face little or no increased costs. One of the benefits of more coordination between the RM and the neighbouring towns and villages, is that ratepayers in all of the jurisdictions would share both the costs and benefits of any new intensive livestock operation.

## 2. Sharing the costs and benefits of economic development: High Throughput (HTP) Elevators.

The consolidation of the grain handling system has meant that large HTP elevators have replaced the local elevator. This change now means that farmers are travelling much further to haul their grain, which is causing extra wear and tear on both municipal and provincial roads.

The establishment of HTP elevators has resulted in an unequal distribution of costs and benefits between neighbouring RM's.<sup>11</sup> In the RM where the HTP elevator is located, the local RM incurs the extra road costs, but also receives the benefit of the increased property tax. Because truck hauls are much longer now, neighbouring RM's also incur extra road costs through increased truck traffic, but receive no benefits.

Similar to the intensive livestock example, more coordination of several local RM's could result in the sharing of the costs and benefits of elevator consolidation.

## 3. Spreading the costs of infrastructure over a larger population base.

The decline in the rural population means that rebuilding or maintaining locally controlled infrastructure such as water and sewage, and garbage disposal is becoming a major cost issue with many small towns and villages. Many of these towns and villages do not have the resources to maintain or upgrade this type of infrastructure.

Larger political units and/or more cooperation between different towns and villages would allow the cost of infrastructure to be spread over a larger population base.

For example, if ten towns and villages in an area need a water treatment facility, it does not make economic sense to build ten facilities. It likely makes more sense to build one treatment facility and pipe the treated water to all ten communities. To accomplish this, means more cooperation or larger governance units. This same example can be applied to garbage disposal, where regional garbage dumps may make more sense than local garbage dumps.

## 4. Different regulations across jurisdictional boundaries.

The oil industry has identified inconsistent rules across municipal boundaries as a constraint to the industry in Saskatchewan. For example, "the transportation of a drilling rig to a single site may be subject to a number of different road haul agreements"<sup>12</sup> The concern expressed by the oil industry is likely to be a problem for other industries that need to travel across several RM's as part of their business.

The type of problem encountered by the oil industry is not a positive message for those who wish to do business in Saskatchewan. The subcommittee believes that more coordination between different RM's with respect to regulations needs to be acted upon in order reduce the cost and hassle of doing business in rural Saskatchewan.

## **Economic Development Agencies**

There are a number of organizations, federal, provincial and municipal that operate at a more regional level that impact economic development. Many of these organizations often overlap each other.

In presentations to the subcommittee some key programs and services were mentioned on a regular

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<sup>11</sup> The old system of local elevators, mostly located in towns and villages also caused an uneven sharing of costs and benefits between urban municipalities and RM's. The urban municipalities received all of the property tax revenue and some extra road costs while the RM's incurred road costs but no property tax revenue.

<sup>12</sup> Resource Sector Subcommittee of the Action Committee on the Rural Economy (ACRE): Recommendations for Consideration by the Committee of the Whole ACRE, March 29, 2001, page 15.

basis; i.e., Regional Economic Development Authority (REDA), Community Futures Development Corporation (CFDC), Farm Credit Corporation, and the Canada-Saskatchewan Business Service Centre, to name a few. The lack of coordination between the various levels of government has been identified as a hindrance to economic development (see appendix III for maps of various agencies involved in economic development). Over one-third of Saskatchewan rural residents believe that all “levels of government should be involved in helping to find solutions”, and “that governments, organizations and individuals need to act collaboratively and in a coordinating fashion in addressing rural issues and challenges”.<sup>13</sup>

The CFDC program is a federally funded initiative that takes a grass roots approach to community and economic development with a primary focus on job creation in areas outside major urban centres. They are non-profit corporations run by a volunteer board of directors, supported by salaried staff. The mandate of the corporations is community and business development. Each CFDC delivers a variety of services ranging from local strategic economic planning, technical and advisory services to businesses, loans to small and medium-sized businesses, self-employment assistance programs and employment programs that target Canadian young entrepreneurs. Saskatchewan is served by 14 CFDCs.

Regional Economic Development Authorities (REDAs) were introduced in Saskatchewan’s Partnership for Renewal economic strategy in 1992 as a key component of Saskatchewan’s continued economic growth. REDAs are a “grass roots” approach to economic development that assist communities and organizations to join together in a co-operative and co-ordinated way to make plans for economic development in their region. REDAs allow people and communities to pool their resources and build on their strengths to support the creation of wealth and jobs, and to attract new investment. The Government of Saskatchewan provides cost-shared funds to help REDAs form. Cost-shared funding is also available to help established REDAs build their service capacity and form partnerships with

Government of Saskatchewan departments and the co-operative and private sectors. There are currently 28 REDAs in the province

The Government has outlined plans to make REDAs the focal point for economic development in their regions, including:

- providing cost-shared financial assistance to help them operate;
- providing them with a package of professional and business development services and technical expertise; and
- examining government support programs for business and, where appropriate, redesigning them so they can be delivered by REDAs.

The same plans also apply to Community-based Regional Economic Development Organizations (CREDOs), which are located in northern Saskatchewan.

It is the subcommittee’s view that opportunities exist for greater cooperation amongst CFDCs and REDAs in order to provide more coordinated service delivery to rural Saskatchewan. It is also the view of the subcommittee that these existing organizations provide the basis for which a province-wide mentoring program could be established (see the recommendation on business start-ups). As services are provided to individual entrepreneurs and small and medium-size business, CFDCs and REDAs would be able to draw financial resources from a central pool of program funding, thus providing the needed service in rural Saskatchewan and contributing to the sustainability of these important organizations.

### **Regional Parks Program**

The Regional Parks Program was a voluntary program which encouraged 2 or more municipalities to plan, build and operate a recreation area which served the combined needs of their rate payers. This program was cost shared by the local governments and the provincial government in terms of capital and operating expenditures. Through this program, not only were a number of outdoor recreation facilities developed, but eliminated the duplication of

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<sup>13</sup> Government of Canada, *Rural Canadians Speak Out - Final Report on the Analysis of Input Received from the 1998 Canadian “Rural Dialogue”, Volume I: Technical Report*, pages 106-7.

facilities and eliminated some of the historic barriers to cooperation between local governments.

### **Recommendation**

**That the Government of Saskatchewan initiate a process to enhance coordination of rural economic development activities between federal, provincial and municipal governments to ensure greater effectiveness, efficiencies and accountability.**

- a) **As part of this process, it is recommended that the province establish a voluntary program that encourages municipalities in a region to cooperate in a Reeves-mayor's council similar to that initiated under the Regional Parks Program. For example, under this program, the council could qualify for assistance (financial and technical) to establish a coordinating office and coordinating opportunities fund. Criteria could be as follows:**
- 6. A minimum of 5 to 10 municipalities (urban and/or rural);**
  - 7. Coordination of standardization of weight limits, environmental controls, zoning, etc;**
  - 8. Cooperation on infrastructure of waste management, water inventory and the availability of their resource;**
  - 9. Cooperation on (housing, office space, and warehouse) inventories; and**
  - 10. Standardization of tax structures and policies that affect the tax structure.**
- b) It is also recommended that the Government of Saskatchewan along with the Government of Canada examine the concept of developing co-terminus boundaries as a means to create a more conducive and comprehensive environment for their service delivery and rural economic development planning.

## **Recommendation on Business Start-ups**

### **Background**

Starting a business and maintaining a profitable business over the long term is a difficult task. Figures from the United States would suggest that two out of three businesses that start up, no longer exist after five years. (The figures for Canada are likely to be quite similar.) A significant number of these businesses have failed, but others may have been shut down for other reasons.<sup>14</sup> In order to develop a thriving small business sector in rural Saskatchewan, the failure rate for small businesses needs to be reduced, especially during the crucial start-up phase.

The subcommittee believes that there are many budding entrepreneurs in rural Saskatchewan who have a lot of good ideas and who wish to start their own businesses. The subcommittee also recognizes that having a good idea does not automatically mean the creation of a successful small business. There are many steps and roadblocks that must be overcome to transform an idea into a thriving enterprise.

The subcommittee believes that the success rate for business start-ups could be enhanced if entrepreneurs received financial assistance (for feasibility studies and business plans) and professional and managerial advice from experienced business managers, especially during the crucial first year of operation.

The Government of Ireland has recognized the importance of assisting businesses especially during the start-up phase and has implemented a number of programs to assist those that are interested in starting a business. These programs include:

- **Development Advisory Service** - an advisor is assigned to a client to assist in many aspects of starting a business such as developing a business plan, providing business advice and acting as contact person for accessing government programs.

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<sup>14</sup>Discussion with Van Isman, Saskatchewan Department of Economic and Cooperative Development August 2001.

- Mentor Network - a program that matches entrepreneurs starting a business with mentors who have wide experience in business. The mentors are usually retired or semi-retired and provide help to starting and expanding businesses on a voluntary basis.
- Feasibility grants - grants are available to individuals, groups or companies to help fund feasibility studies.
- Millennium Entrepreneur Fund - provides seed capital and human resources such as mentors and development advisors. These advisors work as a team to help entrepreneurs with all key business aspects.
- Support for Fast Start Up Companies - provides support to businesses that may reach significant scale quickly, with significant growth potential through a multi-disciplinary development teams. These teams work with the business from the start-up phase until it reaches its potential.

In many of the presentations to the Committee, individuals and organizations expressed the need for an effective mentoring program for new and existing entrepreneurs. The Irish experience has shown that a coordinated approach to mentoring, from the genesis of an idea, through the business development phase and onto implementation and delivery can greatly increase the probability of success. Mentoring programs already exist in some CFDCs; for example, Northwest CFDC and Sagehill CFDC. In addition, Meridian CFDC has developed a board game for students to learn about entrepreneurship (Lemon-aid).

### **Recommendation**

**It is recommended that the Government of Saskatchewan carry out a thorough review of the programs implemented in Ireland to assist in the development of business startups. The focus of the review would be to determine whether the Irish programs would be applicable for Saskatchewan. If the programs are applicable, it is recommended that the province implement similar programs in Saskatchewan.**

## **Recommendation on Immigration**

### **Background**

There is a concern that Canada's immigration policy tends to focus on bringing in highly skilled individuals who wish to live and work in large urban areas like Toronto and Vancouver. In contrast, there is little effort to attract individuals with a more agricultural and rural background who would wish to settle in the rural areas of Saskatchewan and smaller urban centres. For example, in Saskatchewan there is a shortage of workers in the pork, beef feedlot, meat processing and other value-added industries. (See below for some statistical information on immigration.)

Under the Constitution, immigration is shared between the federal government and the provinces, with federal legislation prevailing. The Immigration Act requires consultations with the provinces on the number of immigrants and on settlement measures. In addition, the Act provides for federal-provincial agreements on immigration policies and programs. The Act allows the federal Minister to enter into agreements with the provinces to facilitate the coordination and implementation of immigration policies and programs.

In 1998, the Government of Canada signed a five-year agreement with the Government of Saskatchewan. As part of the agreement, the province was allowed to nominate up to 150 individuals (over a two year period) for immigration based on requirements determined by the province. The program is called the Provincial Nominee Program (PNP).

Nominees are those individuals who possess skills that are in short supply in Saskatchewan or could bring significant benefit to the local economy. The

Government of Canada continues to be responsible for selecting candidates, based on nominations by the Government of Saskatchewan. Since its inception, the federal government has approved all of the nominations put forward by Saskatchewan. Originally the PNP was a two-year pilot project, however it has been extended for a year.

There has been some use of PNP since its inception (approximately 40 nominees over the two year period), however some believe that the program has to be marketed more aggressively. The province would like to become more aggressive in its immigration policy and is currently developing recommendations to enhance the program. Saskatchewan is considering broadening the scope of skills that the province may want to use for nominating new individuals. The province held 12 public meetings with stakeholders during September 2000, to seek their input into the review.

Recent news stories indicate that many European farmers are looking at Saskatchewan and the prairie region as an opportunity to relocate their farming operations. They feel that the opportunities in the prairie region for farming are much better than those in Europe.

Encouraging farm families to relocate to rural Saskatchewan would provide the following benefits:

- New entrepreneurial farmers would enter the industry, bringing new ideas and new capital to the industry. New immigrant families would revitalize rural communities where they settle.
- It would allow Saskatchewan farmers near retirement or those wishing to exit to find potential buyers.
- It may result in expanding rural populations, especially if farms are sold to new entrants rather than being sold to expanding neighbours.
- The influx of new capital and new people would have a positive economic impact for the province.

### Statistical Information on Immigration

Table 1: Immigration to Saskatchewan and Canada

Year (July 1 to June 30)	Immigration to Saskatchewan	Immigration to Canada	Saskatchewan Population as a % of Canadian Pop.	Saskatchewan Immigration as a % of Canadian Immigration
1991/1992	2,518	241,810	3.58%	1.04%
1992/1993	2,561	265,405	3.54%	0.96%
1993/1994	2,281	234,457	3.51%	0.97%
1994/1995	2,182	220,123	3.48%	0.99%
1995/1996	1,810	216,988	3.46%	0.83%
1996/1997	1,779	224,881	3.44%	0.79%
1997/1998	1,615	194,451	3.41%	0.83%
1998/1999	1,748	173,011	3.39%	1.01%

Source: Statistics Canada, Annual Demographic Statistics 91-213, 1999.

### Recommendation

**This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: “That the Government of Saskatchewan promote immigration of families and extended families and that the obstacles for professions such as teachers and nurses be eliminated, and that farmers and agriculture workers be considered as a priority and that potential partnerships be developed with First Nations for the utilization of labour and Treaty Lands as well as provincial farm lands.”**

## Recommendation on Accessing Capital

### Background

During the course of the subcommittee's work, the lack of a venture capital industry in Saskatchewan and its impact on economic development in Saskatchewan became a high priority for the subcommittee. The subcommittee believes that potential economic opportunities, especially high-risk start-ups that may provide large economic benefits in the future, are being missed by the lack of start up capital.

In many parts of North America, venture capital funds provide the financing for start-up enterprises as traditional sources of capital find these investments too risky. However, in its discussions with those involved in the industry, the subcommittee heard that the venture capital industry was very small and was struggling to increase its presence in Saskatchewan (See the summary of presentations by Randy Beattie and Michael Fix in Section IV.)

The subcommittee recognized that the Government of Saskatchewan would have to play a significant role, at least during the initial start-up phase, in order for the venture capital industry to fully develop in Saskatchewan. Without provincial money, the industry will simply not develop. In developing its recommendation on the venture capital fund, the subcommittee believed that a number of principles needed to be followed:

- The venture capital fund needs to be managed by professional managers who possess the necessary expertise;
- If public money is to be part of the venture capital fund, the fund must operate at arms-length from government; and
- Any public investment in the venture capital fund must be invested in Saskatchewan companies.

Many small business entrepreneurs lack the necessary capital to get sound business ideas off the ground. Saskatchewan has a large amount of money sitting in savings accounts that could be accessed to finance these enterprises. Unfortunately

our saving mentality and adversity to risk dictates that this pool of potential investment money is tucked away in very safe investments.

In order to entice this money out of these safe investments additional incentives are needed for persons to move their funds from safe secure investments into higher risk, higher return investments. The Community Bond program was such a tool but experience has told us that fully guaranteed investments can create an atmosphere whereby investment opportunities are not as closely scrutinized by investors as those investments that are not fully guaranteed. One possible solution could be the creation of a tax credit for investment into small and medium size enterprises (under 100 employees).

### Recommendation

**This recommendation builds on the previous recommendation approved by ACRE on January 25, 2001: "That the Government of Saskatchewan dedicate a pool of financial resources to create a venture capital fund that can be accessed by professional financial management firms to leverage private capital. Such a fund will be arms-length from government, managed by a financial management firm and utilize a transparent formula designed to ensure that venture capital funds utilizing public investment are required to invest in Saskatchewan companies, employing less than 300 people and having 25 percent of their paid workforce headquartered in Saskatchewan based on the ratio of public and private capital in the fund. The amount of money invested in Saskatchewan ventures would be based on the percentage of government funds in the total venture capital fund."**

**For example, if there is a \$25 M agri-value venture capital fund of which 70% is public investment and 30% is private, the fund will be required to have 70% of its investments in Saskatchewan ventures.**

**That senior levels of Government examine the feasibility of creating a program aimed at leveraging private capital for investment in small ventures.**

## Recommendation on Business Education in The Classroom

### Background

Everyday we take another step into the future.

We live in the millennium of change. Our reserved Saskatchewan pride makes us sometimes hesitant to showcase our immense talents and resourcefulness.

Now, the door is open to growth and innovation.

From primary to university level, Saskatchewan schools lead the way in the educational superhighway with one exception: Business Entrepreneurial Courses.

Our long-term economic growth depends on our youth. Strategies for implementation of business curricula are critical for providing youth with an alternative to traditional choices. Instead of a student pondering, “what job will I have in the future” the shift in thinking out of the box to “what business can I create”.

The point is that many Saskatchewan students are not taught basic skills that would have them think of the entrepreneurial alternative. In many cases these same principles, such as credit, banking and business relationships, transcend to our personal lives. Many exciting ideas have originated in all size communities, which may sometimes lead to growth and/or revitalization created right in their very community.

In summary, our Saskatchewan schools can plant the seed for a bumper crop harvest of youthful ideas that can set our province onto a strong economic future. Strong ties can be created with the education and business community to develop this long-term economic growth strategy.

### Recommendation

**That the Department of Education, Department of Economic and Co-operative Development, the Saskatchewan Chamber of Commerce, the Saskatchewan Teacher’s Federation and Federation of Saskatchewan Indian Nations (FSIN), among others, work together to develop a curriculum component for the primary and secondary system that is dedicated to business/ entrepreneurship education.**

## Recommendation on Broadband Services

### Background

While citizens in rural and remote areas have similar needs to those of urban areas, they are disadvantaged by a number of unique challenges, namely:

- Distance from and access to markets and services and associated higher costs which can be a disincentive to new business growth;
- Geographical remoteness, sometimes implying severe physical conditions and difficulties of access to transportation;
- Low population density implying a lower taxation base to support essential services, difficulty in attracting private investment to the market size, and the lack of adequate and skilled labour pool; and
- Reliance on seasonal/cyclical industries vulnerable to the market shocks of commodity prices and trade restrictions in the global economy.

Access issues, whether related to markets or services, can be overcome through technology. High-speed connectivity (broadband)<sup>15</sup> is a critical tool, which will allow rural and remote communities to access services such as telehealth, distance learning and electronic commerce. These technology driven applications will not only help to improve the quality of life of rural and remote Canadians and their contributions to Canada as a nation, but help those communities to become more sustainable and competitive. Broadband access is as critical as water and highway infrastructures to attract investments and business development in rural and remote communities.

It is imperative that governments do not inadvertently create barriers that would inhibit rural and remote communities from taking steps to manage their future. To date, rural and remote Canada are not benefiting at the same rate from new knowledge-based economy jobs and from the power of the Internet as a tool of social and economic development. As technology advances at an ever-

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<sup>15</sup> For the purposes of this report, high-speed connectivity (broadband) includes wire and wireless services.

increasing speed, rural and remote Canada is already slipping further behind in its access to the Internet. For example, whereas the percentage of urban households connected to the Internet increased from 30% to 47% from 1997-1999, rural and remote connectivity increased from 20% to 35% in the same period.

In December 2000 there were only eight communities in Saskatchewan with high-speed Internet service. Through the *Community Net* initiative, within three years, broadband high-speed Internet access will be available in more than 350 communities throughout Saskatchewan. The majority of the communities to be connected are in rural and remote regions of the province. The potential social and economic impact of *Community Net* is enormous. *Community Net* will enable Saskatchewan people to compete and thrive in the new knowledge-based, global economy by:

- Assisting students in all grades and in all types of learning environments, from those in classrooms in rural and remote schools, to students in larger urban classrooms.
- Giving students and teachers greater access to learning resources and increased research capabilities, particularly in schools in smaller communities that normally would not have the ability to provide the same learning experiences that students in urban centres enjoy.
- Assisting teachers, especially in rural and remote areas, to meet the growing demand to provide instruction across an increasingly wider range of courses of study.
- Advancing post-secondary training in rural and remote areas, and helping retain students, graduates and faculty for a knowledge-based society.
- Enhancing education and training in First Nations communities.
- Facilitating the development of on-line courses, expansion of distance education and other new learning methods.
- Permitting health providers in rural and remote areas to consult and share information with their urban counterparts faster and easier.

- Allowing smaller health centres to better utilize the new generation of medical applications. For example, new methods of communicating health information, including real-time ultrasound, a comprehensive pharmaceutical information network, real-time health records transfer, telehealth learning and telepsychiatry will provide more effective delivery of health care, thereby reducing costs.
- Advancing the work of the Saskatchewan Health Information Network in developing a province-wide telehealth network.
- Enabling government departments and agencies to offer a wide range of on-line service options to people across the province.
- Reducing the costs of administering programs.

In addition to its public sector benefits, Community Net has the potential to allow small businesses to develop e-business options that are not impacted by distances and location. The private sector is currently expanding high-speed access to the Internet in many regions. Such access may circle the globe but for small rural and remote communities it is the last mile that connects community facilities (schools, health care centres, libraries and other public institutions), businesses and homes that is the cost most difficult to bear.

With the public sector acting as an anchor tenant, the province's Crown telecommunications supplier, SaskTel, will now be able to reassess its high-speed Internet service strategy for small communities. This will be done on a business case-by-business case basis. Only through a co-operative effort between provincial agencies and the federal government is it possible to build the critical mass necessary to develop the infrastructure needs of rural and remote Saskatchewan.

Saskatchewan becomes one of the few jurisdictions in North America to develop such a comprehensive high-speed network.

The recommendations announced in June 2001, from the federally appointed National Broadband Task Force reinforces the importance of expanding broadband access to rural and remote Canada. As the Government of Canada develops its response to those recommendations, it will be important for the



Government of Saskatchewan to coordinate its efforts with those of the Government of Canada.

As broadband services are implemented throughout Saskatchewan, it will be critical that all citizens have access to the necessary training to enable them to fully understand the capability of this new technology.

### **Recommendation**

**That the Government of Saskatchewan coordinate its Community Net initiative with any future federal initiatives that may be developed in response to the recommendations from the National Broadband Task Force.**

**That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most efficient provision of health care services in rural and remote Saskatchewan.**

**That the economic development and/or delivery opportunities presented by Community Net be taken into consideration in determining the most effective provision of educational services in rural and remote Saskatchewan.**

**That the Government of Saskatchewan create and implement an education and training program that enables rural and remote residents and businesses access to training in order to fully understand and utilize computer and Internet services provided through Community Net.**

**That the Government of Saskatchewan provides appropriate funding for help desk services for rural and remote Internet and computer users.**

### **Recommendation on Attitude**

#### **Background**

A number of commentators have commented on the negative attitude that prevails in Saskatchewan towards the province and successful entrepreneurs. The negative attitude that has developed in Saskatchewan is in sharp contrast to the optimism that prevailed in Saskatchewan from the early 1900's to the start of the Depression. During this time, Saskatchewan was the place to be in Canada with

endless opportunities for entrepreneurs and others seeking their fortune.

The onset of the Depression and the decade long drought beginning in 1929, not only had a large economic impact but a huge impact on the psyche of Saskatchewan residents. The severe economic conditions changed people's attitude towards risk taking and the role of government in society. Those who endured the Depression of the 1930's passed these attitudes and beliefs on to their descendents and these attitudes continue to persist to this day. One can make a strong argument that Saskatchewan has never recovered from the 1930's Depression.

The negative attitude that prevails in Saskatchewan can be split into two levels: attitude at the micro level and attitude at the broad provincial level.

#### **Attitude at the Micro Level**

Generally, there seems to be the attitude in Saskatchewan that any successful person should not get ahead of anyone else. If one tries to be successful, for example in a business, this creates jealousy amongst his/her neighbours or peers. Rather than celebrating success, we try to down play it, but if a business fails we have the attitude of, "I told you it wouldn't work". In essence, as a society we do not celebrate success, but highlight failure.

#### **Attitude at the Broad Level**

The negativity at the personal level carries over to the broad provincial level. Many people view Saskatchewan as a dead end with no future and a terrible place to be. There is the attitude "Anyplace is better than Saskatchewan".

The negative attitude about Saskatchewan is compounded by the problem of living next door to Alberta. Saskatchewan residents have the tendency to always compare ourselves to Alberta, a much richer and more entrepreneurial province. A common theme is "why can't we be like Alberta". However, very few people compare us to Manitoba, a province that is much closer to us in terms of population and wealth.

Another feature of Saskatchewan is the view that we cannot start a business without some kind of

government support, and if the business fails, it's the government's fault. This attitude was a major theme in the Saskatchewan Chamber of Commerce Report, Action Saskatchewan: A Blueprint for 2005.

The negative attitude that prevails in Saskatchewan is accentuated by the media, which highlights negative stories, and down plays positive stories. For example, when 30 farmers occupied the Legislative Building during the winter of 2000, the media maintained a constant and high profile presence. In contrast, during this same time period there was little or no media coverage of a soil conservation conference in Regina, attended by 1,400 farmers.

If Saskatchewan is going to redevelop the spirit that prevailed in Saskatchewan prior to 1929, the residents of the province must develop a more positive attitude towards the province and the ability to see the province as a land of opportunity. To accomplish this goal, leadership will be needed from major provincial organizations in the province and the province's media.

### **Recommendation**

**That all provincial associations/organizations, such as the Saskatchewan Chamber of Commerce, Saskatchewan Association of Rural Municipalities (SARM), Saskatchewan Urban Municipalities Association (SUMA), Federation of Saskatchewan Indian Nations (FSIN), all media etc., jointly develop and commit to an action plan to build positive attitudes and promote the attributes of rural Saskatchewan.**

## **Recommendation on Rural Housing**

### **Background**

One of the many problems in rural Saskatchewan is the mismatch between housing and the availability of employment, i.e. "where there is work there are no people and where there are people there is no work".

People's readiness to move to take up new employment opportunities depends in part on the availability of housing. In order to encourage economic development in rural Saskatchewan, the availability of housing will be a high priority.

One possible source of housing in rural Saskatchewan is using or making better use of houses owned by Sask. Housing. The subcommittee is of the view that some of the rural housing owned by Sask. Housing is under utilized.

### **Recommendation**

**That the Government of Saskatchewan develop an Internet based central cataloguing system of available Sask. Housing units for rent or purchase in rural Saskatchewan.**

## **Recommendation on Leadership**

### **Background**

As part of the process for developing the Partnership for Prosperity Document, the province held consultations with Saskatchewan residents during 1999 and 2000. A common thread that runs throughout consultations and dialogue with rural citizens is the need for "leaders". For example, Chuck Thompson from Swift Current said:

*"...When our leaders articulate their vision, and can identify clear steps to achieve that vision, the people will respond."*<sup>16</sup>

This begs the question: "Who are the leaders?" It is the subcommittee's view that the leaders must come from the community and that they, along with the citizens of rural Saskatchewan must articulate the vision. Indeed, "the people" has been identified as the key strength to rural Saskatchewan. "Sense of community" is a close second.<sup>17</sup>

However, at the same time "lack of strong community leadership" is identified as a key hindrance to communities moving forward.<sup>18</sup> The

<sup>16</sup> Government of Saskatchewan, What We Heard: A Report on the Partnership of Prosperity Consultations June 2001, page 1.

<sup>17</sup> Government of Canada, Rural Canadians Speak Out - Final Report on the Analysis of Input Received from the 1998 Canadian "Rural Dialogue", Volume I: Technical Report, page 102.

<sup>18</sup> Ibid, page 104

Committee believes that this does not imply that there are no leaders in rural Saskatchewan, but that we need to identify and nurture the next generation of rural leaders amongst our youth.

### **Recommendation**

That the Government of Saskatchewan and the Government of Canada work together to implement a province-wide mentorship program where, for example, a project manager would be assigned to a non-profit project in a community to work with the volunteers for a period of time up to 60 days, to initiate the planning process and provide direction and experience of navigating through the regulations of government and financial institutions.

### **Recommendation on Aboriginal Impact**

#### **Background**

The First Nations population makes up at least 10% of the Saskatchewan population. It is also experiencing the highest growth rate of all segments of the population. The First Nations population, as defined in the report accounts for significant revenues flowing into the Saskatchewan economy.

The First Nations are also becoming large landowners in the Province. This land holds many resources, which, through extraction and processing, can lead to other revenues - agriculture, mining, forestry, oil and gas.

Both the “Partnership for Prosperity Report” and the Chamber of Commerce “Action Saskatchewan: A Blueprint for 2005” discussed extensively the important role that the Aboriginal community will have in the future economic development of the province.

The success of enhancing the role of the Aboriginal community in future economic development of Saskatchewan will depend greatly on bridging the gap between the Aboriginal community and the rest of society. For example, “In 1996, the

unemployment rate of Aboriginal people was over four times the unemployment rate of non-Aboriginals.”<sup>19</sup> To further quote the Partnership for Prosperity report:

*“In areas such as health, economic participation and education there is a wide divide between Metis and First Nations and the rest of society. The ultimate goal is to bring all people in Saskatchewan to the same standards.”*<sup>20</sup>

Although much work needs to be done to improve various socio and economic indicators, the Aboriginal community has made some major strides in the area of economic development. For instance, “Three First Nations-owned businesses are in the top 100 Saskatchewan businesses.”<sup>21</sup>

The First Nations have raised the concern that some past agricultural assistance programs were not available to the First Nations sector. They feel that accessing these programs and initiatives would have enhanced economic development. Examples of these programs included: NISA and AIDA.

First Nations have identified an additional systemic barrier that is brought about by the Indian Act. Financial institutions will not provide financing to projects on Indian Reserves unless there is a change to the status of the reserve land. Financial institutions cannot take security against assets located on reserve lands.

The Aboriginal community has placed a high emphasis on building partnerships with the non-Aboriginal community. Building partnerships with the Aboriginal community was also a key focus in the “Partnership for Prosperity Report”

### **Recommendation**

It is recommended that Government of Saskatchewan initiate discussions with the Government of Canada to provide mechanisms for First Nations people and their communities to access federal programs and services initiated at the provincial level.

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<sup>19</sup> Government of Saskatchewan, Partnership of Prosperity: Success in the New Economy: An Economic Strategy - Towards 2005, June 2001, page 9.

<sup>20</sup> Ibid, page 9.

<sup>21</sup> Ibid, page 9.

That the Government of Saskatchewan begin the process of removing barriers, to provincial programs and initiatives, that prevent First Nations participation.

That the Government of Saskatchewan implement policies that encourage the private and public sector to forge partnerships with Aboriginal organizations, and that the public sector be encouraged to establish and implement targeted, set aside policies for Aboriginal providers of goods and services.

## **Recommendation on Community Development Granting Foundation**

### **Background**

In the “Partnership for Prosperity” report, released in June 2001, a need was identified to “consult on an ongoing basis with rural residents on what role the government can play in realizing economic opportunities - and act in response to those consultations.”<sup>22</sup> As one rural resident outlined:

*“Make sure that communities have a will to survive - and plan - and grow, and have the support and tools needed to empower them to make it happen.”<sup>23</sup>*

From the consultations to date (Partnership for Prosperity, ACRE, Canadian Rural Dialogue, to name a few), it is clear that rural and remote residents of Saskatchewan have the will to survive, however, in some cases they lack the tools and/or the capacity to address the challenges they face. In many cases, a substantial amount of money is not what is required, but resources are required to “kick start” an initiative or experiment with new ways of doing business. The subcommittee realizes that governments are faced with seemingly unlimited demands on the limited resources that are available. Therefore, it becomes a question of prioritization and more efficient use of these limited funds.

Other jurisdictions have established funds using revenue from gaming activities that support community-level initiatives, for example, the Province of Ontario’s Trillium Foundation.

The Ontario Trillium Foundation was established in 1982 to ensure that a portion of the proceeds of the Ontario Lottery Corporation is directed toward social issues in Ontario. As an agency of the Ministry of Tourism, Culture and Recreation, Trillium has an arm’s length relationship with the government and is governed through a volunteer Board of Directors.

Its focus is the development of a vision, which provides opportunity, and promotes both individual and collective responsibility by encouraging innovation and experimentation, cross-sectoral collaboration, citizen participation, and systemic change.

Trillium accepts applications in four broad sectors — **Arts & Culture, Environment, Sports & Recreation and Human & Social Services.**

### **Arts & Culture**

In the Arts, the Ontario Trillium Foundation funds organizations and activities in all disciplines, whether professional or amateur, including performing, media and visual arts, literature, arts education and community arts initiatives.

### **Environment**

In this sector, projects are considered which protect, restore and promote the benefits of a clean environment.

### **Sports & Recreation**

Community-based activities that create opportunities for people of all ages and abilities to take part in a wide range of sports and leisure programs.

### **Human & Social Services**

While many grants in this sector are about meeting people’s immediate and often urgent needs, this area focuses on developing the skills and confidence that can reduce those needs, break cycles of poverty and isolation, and build better futures.

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<sup>22</sup> Government of Saskatchewan, Partnership of Prosperity: Success in the New Economy: An Economic Strategy - Towards 2005, June 2001, page 17.

<sup>23</sup> Ibid, page 21.

## Eligibility

The Trillium Foundation will fund any one of the following:

- Registered charities;
- Organizations incorporated as not-for-profits in a Canadian jurisdiction;
- Unincorporated branches or chapters of charitable or incorporated not-for-profit organizations. Branches, chapters or member agencies of a provincial network must submit a signed letter from the provincial organization authorizing the application and accepting responsibility for the Trillium grant;
- First Nations initiatives through a Band Council resolution.
- Métis Charter communities; and
- Collaboratives of organizations, containing at least one eligible member.

For 1999/2000, the Trillium Foundation awarded grants totalling over \$80 million. For more detailed information on the Trillium Foundation, please refer to its web site:

From the Government of Saskatchewan Public Accounts statements, Liquor and Gaming revenues in Saskatchewan for 2001 contributed almost \$700 million to the public coffers. The subcommittee acknowledges that this revenue is allocated to many worthwhile initiatives throughout Saskatchewan, whether it is to support health care, educational opportunities or infrastructure. Additionally, the Committee recognizes that the government distributes lottery funds throughout Saskatchewan through Sask Sport Inc. For example, during 2000/2001, over \$29M was dispersed to over 12,000 volunteer sports, culture, recreation and community groups. However it is the view of the subcommittee that a portion of these funds could be set aside for broader rural community initiatives similar to those described above.

The subcommittee is of the view that the Government of Saskatchewan should consider allocating a portion of gaming revenues to community development activities in the following areas:

- Social Services:
- Health
- Education
- Economic Development
- Municipalities

However, the Committee wishes to emphasize that it is not suggesting that the existing agreement with the Saskatchewan Indian Gaming Authority be revisited. This recommendation applies to the Government of Saskatchewan's portion of gaming revenue.

## Recommendation

**That the Government of Saskatchewan form a Task Force to study the feasibility of establishing a foundation similar to Ontario's Trillium Foundation that would support rural community economic development initiatives.**

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## APPENDIX 1 COMMITTEE MEMBERS

(Chair) Joan Corneil, General Manager, Great River Lakes REDA

(Co-Chair) Gene Kessler, Chairman, Family Farm Foundation

Gary Atimoyoo, Director of Special Projects, Economic Development, Federation of Saskatchewan Indian Nations

Wayne Bacon, President, Saskatchewan Canola Growers Association

Evan Ortynsky, Saskatchewan Chamber of Commerce

Darell Pack, Senior Policy Advisor, Agriculture and Agri-Food Canada, Rural Secretariat, Manitoba/Saskatchewan Region

John Serhienko, Chair, Agriculture in the Classroom

Denise Smith, Saskatchewan Elk Breeders Association

### Resource Personnel:

Rick Bjorge, Saskatchewan Agriculture and Food, Extension Branch

Ron Eley, Saskatchewan Agriculture and Food, Policy and Program Development Branch

Dion McGrath, Rural Revitalization Office

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## APPENDIX 2 DATE AND LOCATION OF MEETINGS

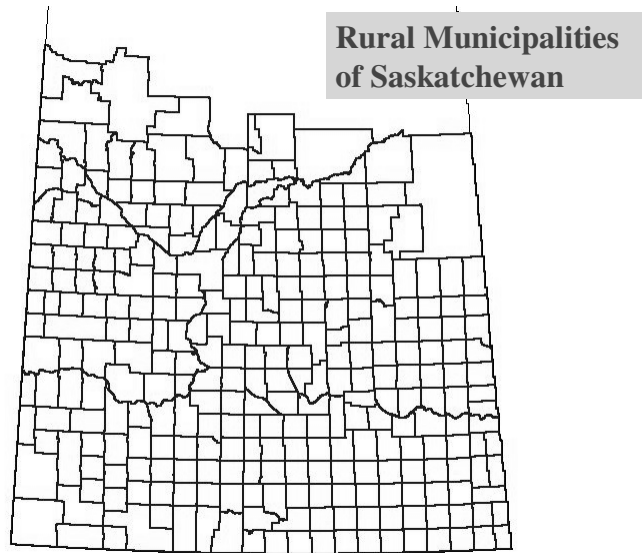
1. October 5, 2000 - Regina
2. November 9, 2000 - Outlook
3. January 17, 2001 - Regina
4. March 22, 2001 - Wiseton
5. March 28, 2001 - Regina
6. April 10, 2001 - Regina
7. April 24, 2001 - Regina
8. May 10, 2001 - Swift Current
9. June 20, 2001 - Regina
10. July 12, 2001 - Watrous
11. July 24 and 25, 2001 - Saskatoon
12. August 31, 2001 - Regina

### Conference Calls

1. August 23, 2001

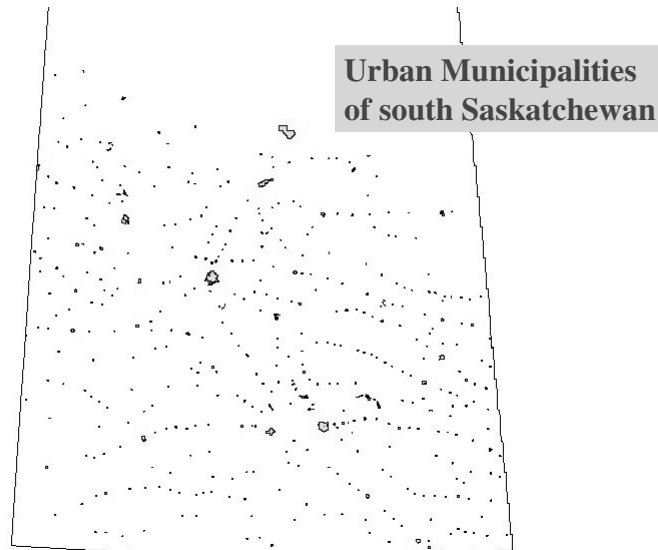
## APPENDIX 3    MAPS OF AGENCIES INVOLVED IN ECONOMIC DEVELOPMENT

Due to time constraints and the lack of data, the following series of maps does not include all of the various district boundaries that exist in the province of Saskatchewan. For example, the Regional Economic Development Authorities (REDA's), the tourism regions and boundaries for other agencies are not included. The purpose of this exercise is to illustrate the lack of co-terminus boundaries in Saskatchewan.



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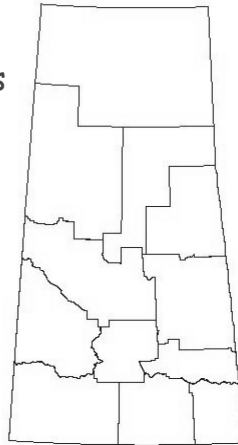


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*Information Services Corporation of  
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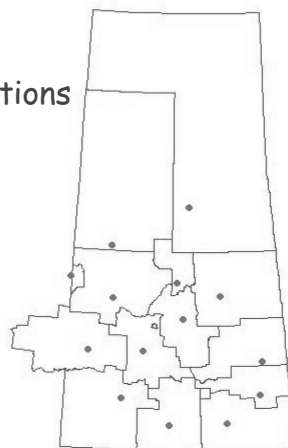
Dept of Highways  
Transportation Districts



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*Information Services Corporation of  
Saskatchewan*

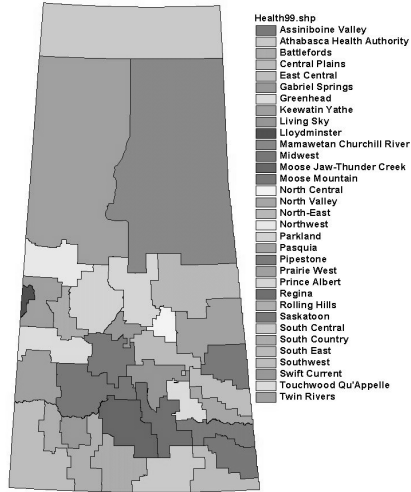
Community Futures  
Development Corporations



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Saskatchewan*

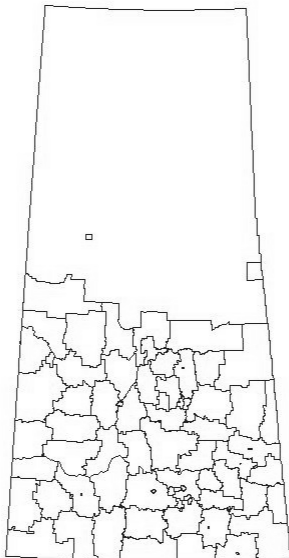
### Saskatchewan Health Districts



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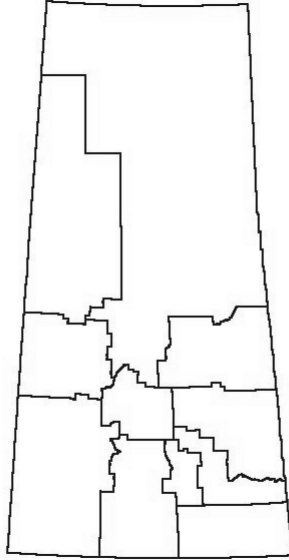
### School Districts



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Information Services Corporation of Saskatchewan

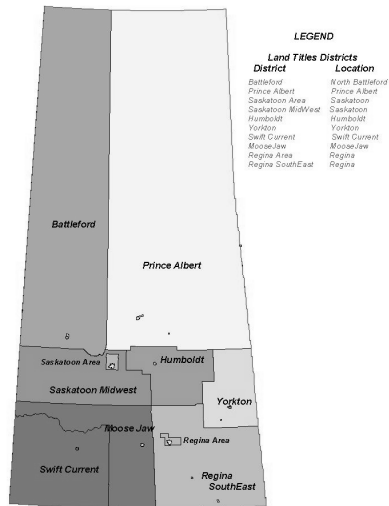
## Social Service Districts



September 2001

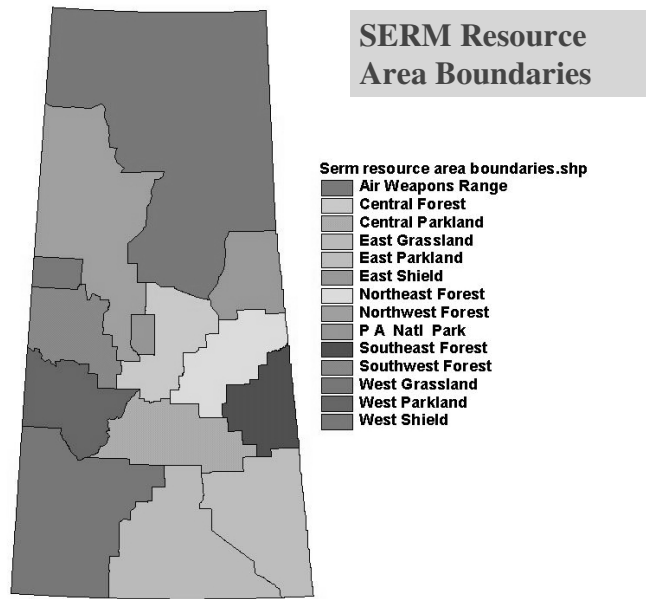
Information Services Corporation of  
Saskatchewan

## Land Titles Districts of Saskatchewan



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*Districts layered over each other  
illustrates non-congruent boundaries*

