

The Ontario Rural Council's June 2003 Forum Report

Global Influences, Local Responses: Positioning for change in Ontario's Resource Sector

North Bay, Ontario
Tuesday, June 24, 2003

Thank you to the sponsors of TORC's June 2003 Public Issue Forum:
The City of North Bay, Blue Sky Economic Growth Corporation, and the Ontario Ministry of Northern
Development and Mines



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and the Ontario Ministry of Municipal Affairs and Housing for their ongoing support of the Council's activities.*

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PUBLIC FORUM

“Global Influences, Local Responses: Positioning for change in Ontario’s resource sector”

**Tuesday, June 24, 2003
Clarion Resort Pinewood Park
North Bay, Ontario
1:00 p.m. – 4:00 p.m.**

A. Welcome and Introduction

Pat Smith, Chair, The Ontario Rural Council

TORC brings together people and organizations who share a commitment to rural Ontario and to building strong rural communities. TORC provides a unique and important opportunity for multi-sector co-operation within the rural sector. Members identify issues . . . then collaborate to develop innovative solutions and strengthen rural voices. TORC’s mandate is to act as a catalyst for rural dialogue, collaboration, and action.

The objectives of this forum are to determine:

- Why responding effectively to change is so critical for the resource sector and single-industry towns;
- How the reality of image and perceptions come into play for key stakeholders; and,
- What makes positioning for change so challenging for industries and their communities.

These are changing times, and to be successful we need to have the ability to adjust. Often changes are out of our control, especially in single-industry operations. The forestry, mining, and aboriginal sectors have experienced, and continue to experience, changes and have created innovative solutions to overcome obstacles and remain viable. We can look to representatives of these sectors to challenge us in what we can do in our own communities and organizations to thrive.

B. Positioning for Change in Ontario: A panel presentation

Moderator: Jeff Celentano, Office of the CAO, City of North Bay

Introduction to Northern Ontario:

- Northern Ontario represents 90% of Ontario’s land mass and only 7% of Ontario’s population.
- Population loss of 40 000 from 1996-2001; an approximate 4.8% decrease. Much of this loss was seen in younger individuals with higher education.
- 20-year average annual population growth projections range from -0.1% to 0.3%; Ontario’s average is 1%/year.
- In the spring of 2002, the unemployment rate for the North was approximately 2% higher than Ontario’s.
- 5-year job growth of 0.06%; compared to 16% for the remainder of Ontario.
- Forestry provides 32 700 direct jobs, 4% of the total provincial exports, and generated \$7.58 billion in 2001, and \$419 million in total wages in 2001.
- Mining provides 25 000 direct jobs, 8% of total provincial exports, and generated \$15.3 billion in 2001.
- Fur Harvesting: Fur Harvesters Auction sales of \$11.5 million in 2001.
- Tourism activities use the natural landscape to create recreation and vacation opportunities.
- Agriculture had an estimated impact of \$20 million in the Blue Sky Region in 2002.
- Global influences are affecting the northern part of Ontario. These influences include commodity price fluctuations, continental trade disputes, costs to extract raw materials at source, mobility of capital, energy costs, factor input costs to process and ship products, and tax and regulatory environments (all three levels of government).

Perception & Reality of Northern Ontario:

Perception: Ontario is a 'hot' economy

Reality: The North is fighting for economic survival

Perception: Ontario is 'connected' (road, rail, air)

Reality: The Latchford Bridge is the only transport route, and when the bridge buckled in January there was no other route. Commercial traffic was cut out. There are some regional airports and Ontario North Rail.

Perception: Everyone has access to broadband

Reality: There are still party lines

Perception: Coping with growth

Reality: The North is hoping for any growth

Northern Ontario is positioning for change by:

- Thinking strategically in the private sector and communities, First Nations path toward self-governance and economic diversification
- Working together (business, labour, government) to chart a future course
- Research and development into adding value approaches to existing traditional industries
- 'Sectoral cluster' approaches (North Bay/Blue Sky Region)
- Using expertise and brain power to promote continued prosperity and employment

Introduction to Panel Presentation

There are many shared issues in all parts of the province and we need to identify ways to deal with the issues that make sense to us. The speakers provided participants with ideas for solutions to issues that could be applied at the local level by exploring the following questions:

- *What have been the main influences that you have had to deal with and how have these influences affected the way you operate (as an organization and as part of your community)?*
- *What strategies have been developed to deal with change as an organization and in your communities, and how successful have these strategies been?*
- *How have local communities reacted to change and how have you dealt with their perceptions and reactions?*
- *How can rural communities position themselves to thrive in spite of their vulnerability?*
- *What key lessons can be learned from your experiences, and applied to other industries, sectors and communities?*

John Symington, Waubetek Business Development Corporation

As Partnership Development Advisor for Waubetek, John works with 27 First Nation Communities and individual Aboriginal businesses and entrepreneurs in northeastern Ontario.

Introduction to Waubetek Business Development Corporation

- Waubetek Business Development Corporation is part of the Ontario Community Futures Development Corporations and also an aboriginal financial institution.
- The Corporation delivers services to assist business people and youth populations.
- The Corporation provides economic development at the local level, providing benefits and employment in the community.
- The Aboriginal population is growing, especially the population of young people with education. This population group wants to remain in their local communities however they do not have a lot of options to do so. They are well trained and get offered jobs elsewhere.
- Two main concerns of the Aboriginal community:
 - Stewardship of the land – there is a close connection to the land and the community wants a say in the management of the resources. At the same time they recognize the value of resource-based industries. How can we take what is there but minimize the impacts on the land?
 - Finding a way to participate in the benefits of resources. Other parts of Ontario, Canada and the world are benefiting from our resources and we are seeing little pay back.

What strategies have been developed to deal with change as an organization and in your communities, and how successful have these strategies been?

- Tourism industry
- Building structure within the communities
- Exploring a regional approach or strategy to include everyone's interest
- Considering our community as part of a global market – “we are all impacted by it and cannot afford to sit back and wait for people to notice us”. Communities need to recognize what kind of market they are in – “they won't come to us, we have to go out and get them”.
- Economic development is tough; it is tough everywhere.

How have local communities reacted to change and how have you dealt with their perceptions and reactions?

- When working in First Nations communities it is important to be mindful of their interests.

How can rural communities position themselves to thrive in spite of their vulnerability?

- Work in partnerships
- Look outside individual communities, as these are very small. Instead, look at a regional approach (this has proven successful in the tourism industry).

What key lessons can be learned from your experiences, and applied to other industries, sectors and communities?

- A collective decision-making process that exists in First Nations communities is key.

Paul Krabbe, Tembec Inc.

Currently Paul is the Business Development Manager for Forest Resource Management with a recent focus of coordinating the defence of Tembec's Forest Products Group softwood lumber business in the Canada – United States Softwood Lumber Trade Dispute.

What have been the main influences that you have had to deal with and how have these influences affected the way you operate (as an organization and as part of your community)?

- Products of the forestry industry are largely commodities that follow the true rules of economics (supply and demand, currency exchange rates etc.).
- Supply of raw materials exceeds the demand of the world.
- New investment in production is going where currency cost is low and supply is plentiful (Eastern Europe, Russia, Chili and Brazil). This puts pressure on the domestic market. The softwood lumber dispute is part of this.
- Raw material costs
- Energy Costs
- Taxes – northern Ontario has a good tax environment, but Canada can improve on this.
- Eastern Canada has some of the highest raw material costs in terms of delivery.
- In December a mill in Kirkland Lake was shut down, operations were curtailed in Mattawa, there are plans to shut down two pulp mills in Northern Ontario – a global impact of too many trees filters down to the community level.

What strategies have been developed to deal with change as an organization and in your communities, and how successful have these strategies been?

A rolling 5 year strategic plan has been developed outlining our mandate to strive toward:

- Being a low cost producer: automation & consolidation. Higher technology means a higher-educated workforce. However, technology does displace people.
- Continuing to diversify: research and development in all sectors (pulp, forestry, and forest products) allows us to work with customers to create new opportunities and increase the value chain.
- Being environmentally conscious: strive to be a leading-edge performer, which provides assurance to the marketplace that they are working with a good company.

- Being socially responsible through strong community and Aboriginal relations as we ensure that our purchasers are buying in local communities. Tembec was one of the first companies to develop a First Nations policy.
- Awareness of potential markets: strong focus on customer needs and trends, grow the market, invest in wood promotion.

How have local communities reacted to change and how have you dealt with their perceptions and reactions?

- The reaction is always positive if you come up with dollars and new equipment for the future.
- When downsizing or changing focus there is a mixed reaction.
- Strive to maintain an open dialogue with the communities, but this can be challenging.

How can rural communities position themselves to thrive in spite of their vulnerability?

- Be strong advocates for existing businesses – keep them healthy, support them in fundamental areas of fibre cost, energy, transportation, research and development.
- In the face of plant closures, diversification must be explored. Even when ‘today’s value-added is tomorrow’s commodity’, this does not mean that one should not ‘ride the wave’.
- Exploit your advantages, such as access to the US market, communications, a stable and secure economy, etc.

What key lessons can be learned from your experiences, and applied to other industries, sectors and communities?

- Do not underestimate the impact of the globalization of the marketplace.
- Continually improve costs and re-invent products.
- Ensure ongoing communication between the community and its industries.
- Diversify industries (start from within as this does not always involve new industry).

Dr. Greg Baiden, Laurentian University

Dr. Baden is chairman and Chief Technology Officer of Penguin Automated Systems Inc., director of the School of Engineering at Laurentian, and Canadian Research Chair in robotics and mine automation.

What have been the main influences that you have had to deal with and how have these influences affected the way you operate (as an organization and as part of your community)?

- Technological change is exponential, not linear as many may believe.
- Since 1750 productivity has increased to a point where 1 person can do the work of 200.
- Today, projections are that the next 70 years will see 2-, 10-, or 100-fold increases in productivity.
- 17 mines have closed in the last 10 years in northern Ontario as a result of them not being willing to incorporate technological change.
- The value of base metals is the same all over the world over the last 100 years – the only thing we can change is the productivity of our resources.
- Northern Ontario mining costs are 20 times higher than the best mining companies in the world.
- Ore bodies in Northern Ontario are among the best in the world.
- We have led the world in mining technology development but we have not really applied the technology due to culture.
- “We are more ready to try the untried when what we do is inconsequential”.

What key lessons can be learned from your experiences, and applied to other industries, sectors and communities?

- Research and development is critical. Universities need to grow so that knowledge can be created. This creates the structure for youth to remain in the area.
- Bring high levels of technology to northern areas to make the area more attractive for large companies.

C. Plenary Discussion Highlights

- **Great Spirit Circle's Trail** on Manitoulin Island represents tourism opportunities and a coordinated approach in services that is being explored between the 7 First Nations communities on the island. Each community is working on a different aspect (trails, wilderness tours, camping, tourist attractions, eco-tourism) but with the same goals. The projects are based on utilizing the existing natural resources without exploiting them. It is difficult to work together with a large number of communities, but not everyone can have a mill or a manufacturing plant. The communities have realized the need to share so that everyone can benefit.
- **A man-made forest in France** is an example of increasing productivity. The loggers are equipped with cell phones, the trucks are connected to the Internet, and there is road and trail access to every woodlot.
- **Technology in the mining industry** has to be installed in order to make quality happen. In order to succeed, the quality of the best mining companies must be reached and then surpassed. However, funds are required and this is difficult as people are hesitant to lend money.
- **The impact of waste on industries** requires attention toward land use planning, strategic plans with an eye for innovation, and money invested in research and development to find better ways of dealing with waste.
- **The Tembec and Domtar merger** will create the second largest lumber producer in Canada. This will allow the company to compete with other companies who supply Home Depot and Loews.
- **What is the scenario for rural communities across Ontario over the long term – what kind of a path will they take?**
 - In the future, the wealth in northern Ontario will make the area the biggest place in the world!
 - There is a need to identify leaders who can take the opportunities and put them in place. These leaders will not necessarily be the people who might at first appear to be leaders.
 - The potential to make things happen exists, it just needs to be packaged.
 - We need to be careful what we wish for, because we just might get it.
 - Communities must decide what they want and then develop a plan to achieve it.
 - In the future northern Ontario will have a different focus and there will be a growing influence of Aboriginal communities, as this is the population that is growing.
 - Ensure communities have the backbone that is required to support a good living environment.

D. Summary of Implications

Perhaps the key lesson to be learned is the importance of realizing that many communities, organizations, private companies, municipalities, regions, provinces, and countries are facing the same challenges at various levels. Communication between and among various sectors and levels is critical in order to succeed in the face of adversity. This was articulated during the forum panel discussion. Industries are continually facing challenges and issues on a global scale, and many of the issues are also evident at the community level. Consequently, several strategies adopted by industry leaders can also be applied at the local community level.

Strategies to position for change:

- Create and identify leaders.
- Develop a long-term vision – how can we be part of the whole if the vision isn't there?
- Eliminate 'tunnel vision' and adopt regional (or larger) approaches.
- Teach people how to imagine. In our society imagination is generally stifled and controlled by rules. This trend decreases innovation.
- Encourage research and research institutions. This will encourage the builders of our future communities and our regions, and can also work to retain our young people.
- Include a wide range of stakeholders in a collective decision-making process as is the practice in First Nations communities. This process may result in creative new solutions, alternative strategies and diversification. There will likely be less negative response to decisions or changes if a cross-section of stakeholders are involved in the decision-making process.

The challenges that small communities and rural areas face are similar. With this in mind, we need to co-operate, work together, and communicate with one voice. This voice can be heard and can create more fruitful and meaningful discussion when presented in unison.