

West Nipissing

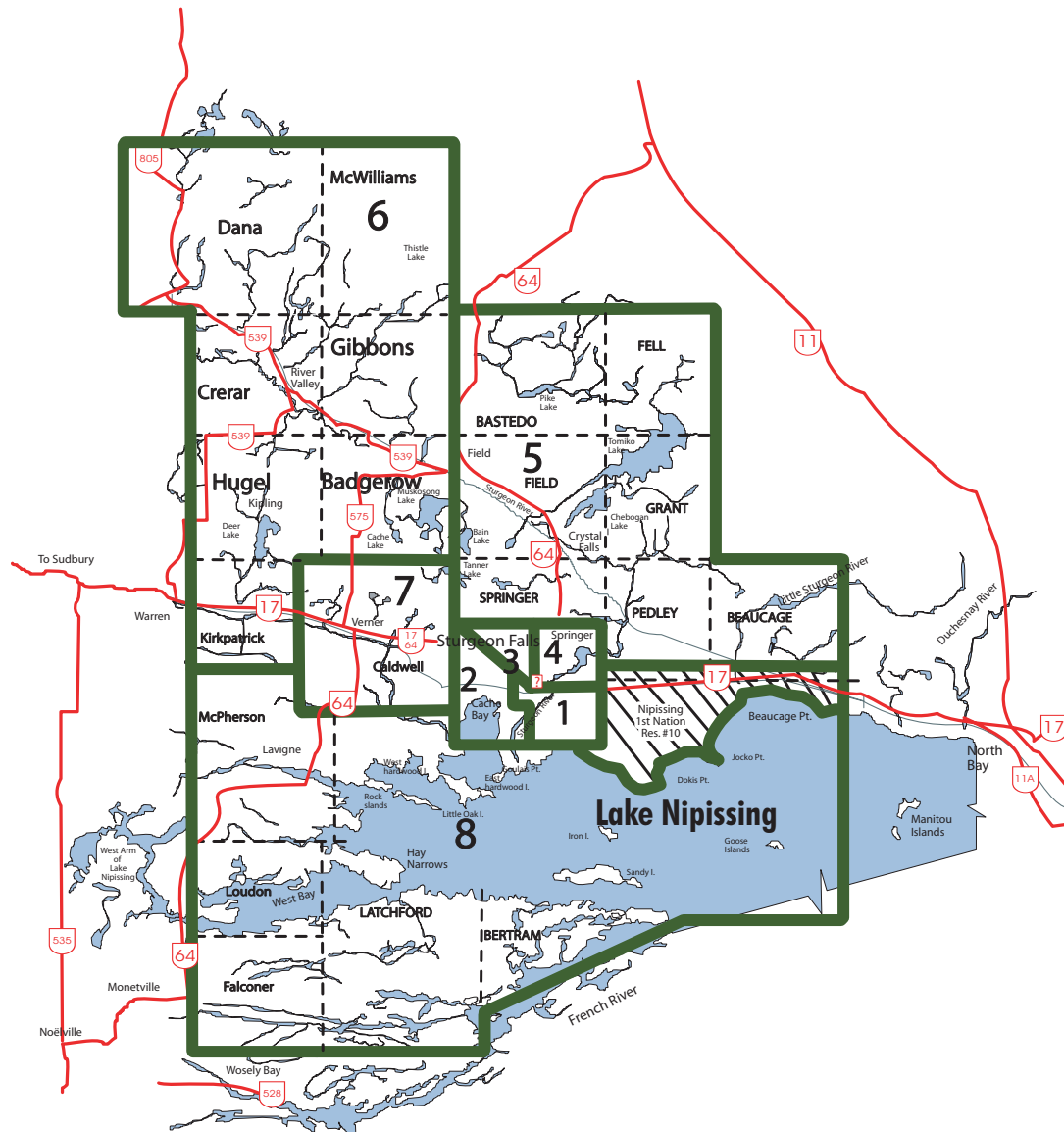
Executive Summary

Strictly Confidential

June 2003

Executive Summary

Founded in 1999, The Corporation of the Municipality of West Nipissing (West Nipissing) amalgamated the former Towns of Cache Bay and Sturgeon Falls, the organized Townships of Caldwell, Field and Springer, the unorganized Townships of Bertram, Latchford, Falconer, Loudon, MacPherson, Beaucage, Pedley, Kirkpatrick, Grant, Badgerow, Hugel, Fell, Bastedo, Gibbons, Crerar, McWilliams, Dana and a section of Janes. With a wide range of existing assets at its disposal, the new municipality offers a great deal of opportunity for the future. In particular, the municipal economy benefits from a wealth of natural resources, spectacular wilderness, proximity to two major northern cities, affordable real estate, a diverse and rich cultural heritage, and strong educational and health services.



PLANNING, BUILDING & DEVELOPMENT DEPARTMENT

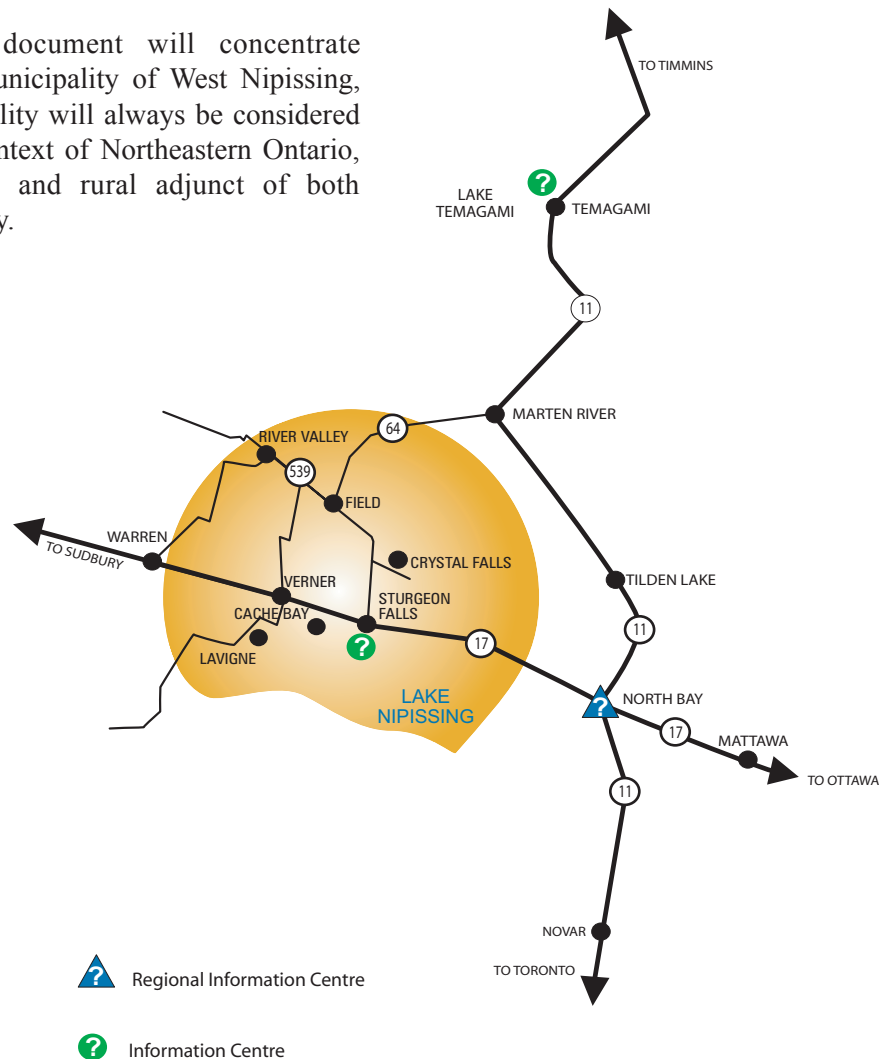
REVISED DECEMBER 1, 2000



As illustrated in the accompanying map, West Nipissing is strategically poised at a mid-point between Sudbury and North Bay. Served by the Trans-Canadian Highway 17, near the junction with Highway 11, the municipality is a four-hour drive from both Toronto (to the south) and Ottawa (to the southeast). The municipality spans an impressive 1,274 km² and regroups, from east to west: Sturgeon Falls, Crystal Falls, Field, Cache Bay, Verner, Lavigne and River Valley as well as 17 1/2 townships. Interestingly,

approximately half of the municipality's 13,650 people live within and in the immediate surroundings of Sturgeon Falls. West Nipissing's location at the geographic mid-point between two of Northeastern Ontario's major cities has greatly affected its evolution in recent decades. In fact, in many respects, West Nipissing has become a suburb of both cities, as many residents of Sturgeon Falls work in North Bay, and many residents of Verner and Lavigne work in Sudbury.

In this light, this document will concentrate specifically on the Municipality of West Nipissing, however, the municipality will always be considered within the regional context of Northeastern Ontario, and as a semi-urban and rural adjunct of both North Bay and Sudbury.



In 2002, West Nipissing created the Community Adjustment and Recovery Committee (CARC) to counteract the negative impacts surrounding the closure of the Weyerhaeuser Container Board Plant, one of the municipality's largest employers. In an effort to position the community for future growth, West Nipissing commissioned CAI Corporate Affairs International (CAI) to work in conjunction with CARC to develop a long-term community action plan to encourage sustainable growth for the region.

This community action plan will help to attract and retain new and existing business, solicit community involvement and identify community champions. The campaign will solicit input from as many projects as possible from the community. Following a preliminary reading of these preliminary projects, an evaluation committee is charged with selecting 100 of the proposals for further review. At this point, the authors of the 100 projects will be asked to submit a short (five-page) business plan for assessment by the evaluation committee. The committee will then select ten projects following a final review. CARC and West Nipissing will then prioritize the development of these selected projects.

Prior to developing a concrete, step-by-step approach for the economic development of West Nipissing, CAI and CARC appraised the community's current state of affairs. CAI conducted an analysis of ten sectors that are fundamental to the municipality's past, present and future. The ten sectors identified in this report include:

- Agriculture
- Education
- Energy and the environment
- Forestry
- Health
- Mining
- Quality of life (Information, Culture and Recreation)
- Retail services
- Technology and communications
- Tourism

The following paragraphs provide a brief analysis of the ten identified sectors.

Agriculture

The agricultural sector has been fundamental to the development of West Nipissing, and remains one of the primary economic engines of the new municipality. As of 2001, there were 83,170 acres of agricultural farmland. Dairy farming accounts for 80% of the farming enterprises, where fewer than 50 dairy farms produce approximately 14 million litres of milk annually, contributing over \$8 million dollars to the municipal economy.

Demographically, there has been a net outflow of youth from the north. This tendency is more prevalent in rural areas and is believed to be exacerbated by the hard work and commitment required for dairy and livestock farming, which demand attention seven days a week throughout the year.

The high price commanded by Ontario dairy milk quotas has affected the industry significantly. On one hand, it is an important addition to the already high capital outlay required to start a dairy farm, thereby acting as an impediment to people who might seek to enter into the industry. On the other, the high price has acted as an incentive for farmers to sell their production quotas. The net result of these linked phenomena has been increased consolidation of the area's farms and a significant reduction in the overall acreage being exploited in West Nipissing. Roundtable participants estimate that there were approximately 100 dairy farms in West Nipissing 20 years ago and that less than 50 remain.

Nonetheless, despite the challenges associated with the agricultural industry in general, and particularly in Northern Ontario, this sector continues to thrive. In fact, the local agricultural sector could be used as an example of how organization, cooperation, vision and hard work can be combined to retain and even expand existing businesses.

Education

An analysis of employment data reveals that the education sector in Northeastern Ontario employed 20,003 people in 1998 and 19,000 in 2001. Employment within this sector accounted for 7.4% of the workforce in 2001, representing a 5.1% decline since 1998.

The economic significance of the education sector is based on the important contribution to the municipality that education professionals make in terms of income and spending. The role played by this sector in framing the society of tomorrow and in preparing the next generation for tomorrow's workforce is critical to the future economic development of the region.

Like many northern communities, West Nipissing faces a fundamental demographic challenge. Census figures reveal that over the past decade, the population of the West Nipissing community has both been ageing and declining. To counteract these affects, roundtable participants expressed an interest in fostering increased links between the educational sector and regional industry. By working with industry, the participants foresaw a potential increase in the importance accorded to trade, and increased understanding of the economic future of the region.

Energy and the Environment

The energy and the environment sector is comprised of a range of industries that are focussed on power generation, waste management, and the management, measurement, prevention and correction of environmental damage to water, air and soil as well as problems related to waste, noise and ecosystems. The sector also includes clean technologies that have been designed to reduce environmental damage, pollution and energy consumption.

An analysis of employment data reveals that the energy and the environment sector in Northeastern Ontario employed 3,180 people in 1998 and 2,580 in 2001. Employment within the sector declined by 18.9% during this period, accounting for a 1.0% share of the workforce in 2001.

One of the fundamental challenges facing West Nipissing's energy and the environment sector is the awkward agglomeration of the sector's industries. For example, the link between waste management and fuel cells is purely eidetic. As such, each industry that constitutes the sector has a different agenda and achieving sectoral consensus is very difficult. In addition, participants cited the attraction and retention of skilled workers as a primary concern. This is hardly surprising as many environmental industries are knowledge-intensive. As such, an all too familiar dynamic recurs in this sector: West Nipissing is merely one possible location amid a world of options, pitting one location against another in attempting to attract the type of worker that the sector commands.

The increasing environmental challenges faced by industry and agriculture have created opportunities for growth in the environmental industries. As the environmental emission standards in agriculture become tighter, farmers are seeking new and innovative ways to control effluent. Likewise, as the pulp and paper industry has had to conform to higher environmental standards, new methods of controlling waste and reducing water pollution have been generated. Forestry and agriculture, which have played important roles in the economic development of West Nipissing, along with the pursuit of sustainable development, have been transformed by the environmental industries and will continue to act as a catalyst for growth.

Forestry

The forestry sector is one of the most developed sectors of West Nipissing's economy and among the most important industries in Northeastern Ontario. Forestry industries include logging, forestry, paper and allied products manufacturing as well as commodity and value added wood and building products industries. From a quantitative perspective, an analysis of employment confirms the important role the forestry sector plays in Northeastern Ontario as one of the region's most significant employers and that the sector is well established. Employment dropped from 14,380 in 1998 to 14,050 in 2001, representing 5.5% of the total workforce. As such, the sector experienced a change in employment of -2.3% during this period.

Forestry has an impact throughout the wooded regions of the municipality and in its urban centres, particularly Sturgeon Falls, where a mid-sized mill still operates and several value-added wood product industries are established. Other than an original trading post, the first descendants of Europeans to settle the area north of Lake Nipissing arrived to cut timber. In many ways, the sector became a key driver for the development of much of the current municipal territory as lumber and paper mills opened up along its major waterways. The development of the former municipality of Sturgeon Falls was particularly influenced by the forestry sector and it remained, until recently, a "mill town."

A number of challenges exist for the forestry sector in Canada, and for the West Nipissing region in particular. Foremost among them is the current trade dispute between Canada and the United States, commonly referred to as the softwood lumber dispute. Canada and the United States have a long history of trade disputes pertaining to the forestry sector. At the heart of these disputes is a difference in the ways that the two countries run their lumber industries. In the United States, most lumber production lands are privately held; in Canada, most land is publicly owned. A notable exception to this practise in Canada is in the Atlantic provinces of New Brunswick and Nova Scotia. As a result, these provinces are considered exempt from the duties currently being imposed by the US on Canadian softwood lumber exports.

Given the proximity of the West Nipissing region to major industry players such as Domtar and Tembec, there may exist opportunities to attract investments in engineered wood products that serve as substitutes for other construction materials in residential, commercial, and light industrial applications. Furthermore, opportunities exist for entrepreneurial firms in the area of value-added wood manufacturing. More specifically, there is an apparent demand for manufactured wood products, including pre-fabricated housing, doors, windows, kitchen cabinets, hardwood flooring, pallets and related millwork.

Health

The administration and delivery of health care services are responsible for employing a significant proportion of the regional workforce (10.4%). As of 1998, the health sector employed 21,330 people in Northeastern Ontario. Employment in this sector has since grown by more than 25% to 26,780 in 2001. West Nipissing's health sector is anchored by the West Nipissing General Hospital and by the Au Château retirement and assisted living complex. These two institutions are complemented by numerous medical, dental and other clinics.

Beyond the basic challenges presented by cost compression and geography, certain demographic trends are contributing to the strain on the health care sector. The population of Northeastern Ontario is declining and ageing. An ageing population requires more health care services and has a diminishing income base, thereby putting more stress on the limited resources available.

Nevertheless, during the roundtable discussion, participants identified several opportunities for the health care sector in West Nipissing. For example, the proximity of the planned North Bay super-hospital will provide an opportunity for partnerships between the institutions, allowing West Nipissing's hospital to share specialists who might not have had enough funding or billing time in one hospital alone. This process is already underway, as arrangements currently exist with an anaesthesiologist. West Nipissing General Hospital will seek to further develop this type of arrangement.

Mining

Situated between Sudbury and North Bay, West Nipissing is located at a spatial mid-point of Canada's largest mining cluster. Sudbury and North Bay are global capitals of geosciences and mining technologies, while the Toronto Stock Exchange (TSE), which raises over \$2.5 billion a year in new mining related equity capital, is the mine financing centre of the world.

The Ontario Ministry of Northern Development and Mines estimated that in 2001, there were more than 20,000 people directly employed in mines, associated smelters and refineries. Further, an additional 5,000 were directly employed in quarries and sand and gravel operations. The ministry estimates that a total of approximately 89,000 people were indirectly employed by related industries.

Throughout the 1990's and into the new century however, the price of real metals and minerals has been on a radical downward trend. This has led to a global slowdown in mining exploration, the opening of new mining operations and the exploitation of existing mines. Moreover, this slowdown in basic mining activity has had repercussions throughout the sector's value chain. It is believed that the slowdown in mining exploration and activity has led to less interest in R&D spending and subsequent commercialization initiatives. The decline in mining employment in Northeastern Ontario also reflects a general tendency that has affected the sector as a whole over the last decade.

Although mining remains of only limited importance to West Nipissing itself, its location within a globally recognized cluster in mining and mining technologies should provide the municipality with an opportunity to develop mining-related activities. For example, if traditional mining methods have been widely viewed as destructive to the environment, new paradigms of mining development, such as Integrated Landscape Management are being established. The proximity of Sudbury's Laurentian University, and the expertise in mining technologies in North Bay, should provide West Nipissing with an inside track to establishing research activities in advanced mining practices.

Quality of Life (Information, Culture and Recreation)

An analysis of employment data reveals that information, culture, and recreation in Northeastern Ontario employed 7,800 people in 1998 and 9,780 in 2001. Employment within the sector increased by more than 25% during this period, representing 3.8% of the workforce in 2001.

Arts, culture and events provide a unique engine for economic development by serving as a lever for downtown revitalization and as an instrument for focalizing community pride. As a small northern municipality with diverse roots and a predominantly Franco-Ontarian population, West Nipissing is uniquely positioned to build on its cultural heritage.

The Project Team identified an employment category that meets this criterion, namely information, culture and recreation. As defined, this sector has undoubtedly played a significant role in the evolution of West Nipissing and will contribute to define the municipality's future.

Retail Services

The retail sector is one of the most developed elements of West Nipissing's economy and one of the fastest growing industries in Northeastern Ontario. According to the 2001 Census, West Nipissing's retail services sector serves over 13,114 people, or 4,480 households, with average household expenditures of \$47,641. Although, this number falls below the national and provincial averages of household expenditures, West Nipissing still has a considerable total annual municipal purchasing power of \$173 million.

The retail sector is well-established and enjoying rapid growth. An analysis of employment confirms the important role played by the retail sector as one of the region's most significant employers. Individuals employed in retail rose from 32,600 in 1998 to 38,330, representing 14.9% of the total workforce in 2001.

Like many northern communities, West Nipissing faces the demographic challenge of an ageing and declining population, which is exacerbated by net youth out-migration from the area. Because retail spending is directly linked to personal disposable income, the ageing population curve has a negative impact on the purchasing of non-essential goods. Moreover, with the closing of operations at the Weyerhaeuser paperboard plant, West Nipissing has recently experienced a decline in its active labour force. The long and medium term effects of the closing cannot yet be determined as of yet, although it will lead to a short term decline in municipal purchasing power.

The high traffic flow of Highway 17 certainly presents an excellent opportunity for existing and prospective retailers. With traffic counts estimated to be in the area of 8,000 vehicles per day, imaginative retailers stand to generate solid occasional sales as well as repeat shoppers on their way to North Bay and Sudbury.

A significant opportunity also exists to further develop the retail sector by working in conjunction with regional tourism associations to renew existing brownfields and improve the urban waterfront of Sturgeon Falls. Beyond the existing available land, there remains a significant amount of land that could be opened for mixed-use development, including the prime land surrounding the municipal pier currently controlled by the city.

Technology and Communications

With respect to employment statistics, there is no measurable technology sector in Northeastern Ontario. However, advanced telecommunications infrastructure and services do exist and much employment, including a Statistics Canada inbound call centre in West Nipissing, depend upon them.

The challenges of providing technological infrastructure have primarily been related to the massive size of the municipality and to its low population density. Most of the major infrastructure providers have demonstrated their willingness to deploy networks when a compelling business case was made, one that demonstrated the significant return on investment for the provider and the company. However, establishing such a case has been difficult for businesses and residents of the more remote areas of the municipality.

Such an underdeveloped sector presents numerous, albeit often expensive, opportunities for development. The opportunities for northern communities to improve their public services in areas such as education and health by means of modern broadband technologies abound. It is hoped that some of the many local projects being discussed were submitted to the Federal Broadband Initiative prior to March 31st, 2003.

Tourism

Since the turn of the last century, when the CPR opened up the territories north of Lake Nipissing, the West Nipissing area has been a destination for tourists. Sportsmen in pursuit of big game and larger fish joined the flood of people heading to the newly opened land northwest of York, and sports fishing remained the anchor of the region's tourism sector.

However as North Bay, Sudbury and Toronto got "closer" to West Nipissing and as the pressure on fish stocks grew, industrial development and pollution became an issue. The result was that stocks of game fish declined steadily and significantly through the late 1970s, 1980s and early 1990s. Furthermore, despite the fact that recent efforts to rebuild freshwater fish stocks have been paying off, West Nipissing no longer receives the large number of "big spender" sportsmen that once fuelled the local retail economy.

West Nipissing has spectacular natural assets that have remained chronically underdeveloped. The opportunity exists to build a tourism industry from the ground up. Rather than having to work with the clumsy legacy left behind by former sectoral professionals, the champions of today's sector will be able to build upon the municipality's new identity and position West Nipissing for future success.

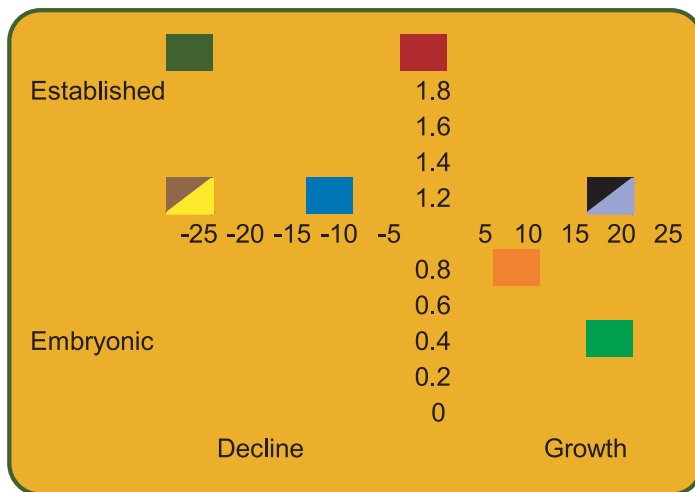
Re-igniting the tourist trade is a key element to the long-term economic development of West Nipissing. However, the development of the required infrastructure will be capital intensive and time consuming and the majority of the real work of development will have to be left to the private sector.

Conclusion

West Nipissing's main areas of strength are in forestry, agriculture, health, education, retail services and tourism. As depicted in the matrices below, the established sectors of the regional economy are largely anchored in the exploitation of the region's wealth of natural assets such as mining and forestry. Despite the regional strengths in these two sectors however, little value added processing takes place in West Nipissing. With respect to tourism, although established, it has not distinguished itself in terms of growth or competitiveness. This is surely one area that is ripe for development.

Conclusion Sectoral Analysis

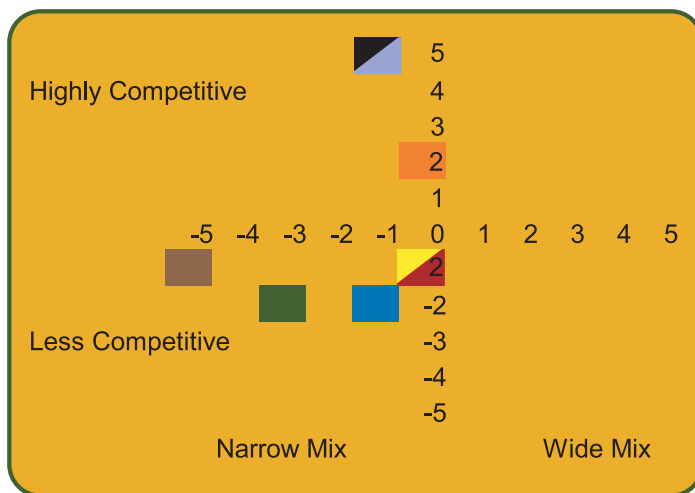
Location Quotient: All Sectors



- Agriculture (N/A for Shift Share only)
- Education
- Energy and the Environment
- Forestry
- Health
- Mining
- Retail
- Quality of Life
- Technology and Communications
- Tourism



Shift Share: All Sectors



Source: CAI Corporate Affairs International, 2003

The importance of agriculture also emerged during the research phase of this project. Once again however, it became clear that very little secondary processing of local produce occurs in West Nipissing.

West Nipissing's truly established and competitive sectors are comprised of a mix of government and private sector industries mainly dealing in the delivery of services to the municipality's residents: Retail and health. In this light, and drawing largely from the qualitative input received during the research phase of the project, it is not unreasonable to classify West Nipissing as a residential community: a suburb of two employment centres, North Bay and Sudbury. On the accompanying matrix, the retail and health sectors demonstrate high competitiveness as well as a significant level of maturity. Furthermore, the cluster of industries that are both less competitive and without any significant breadth is indicative of an underdeveloped economy.

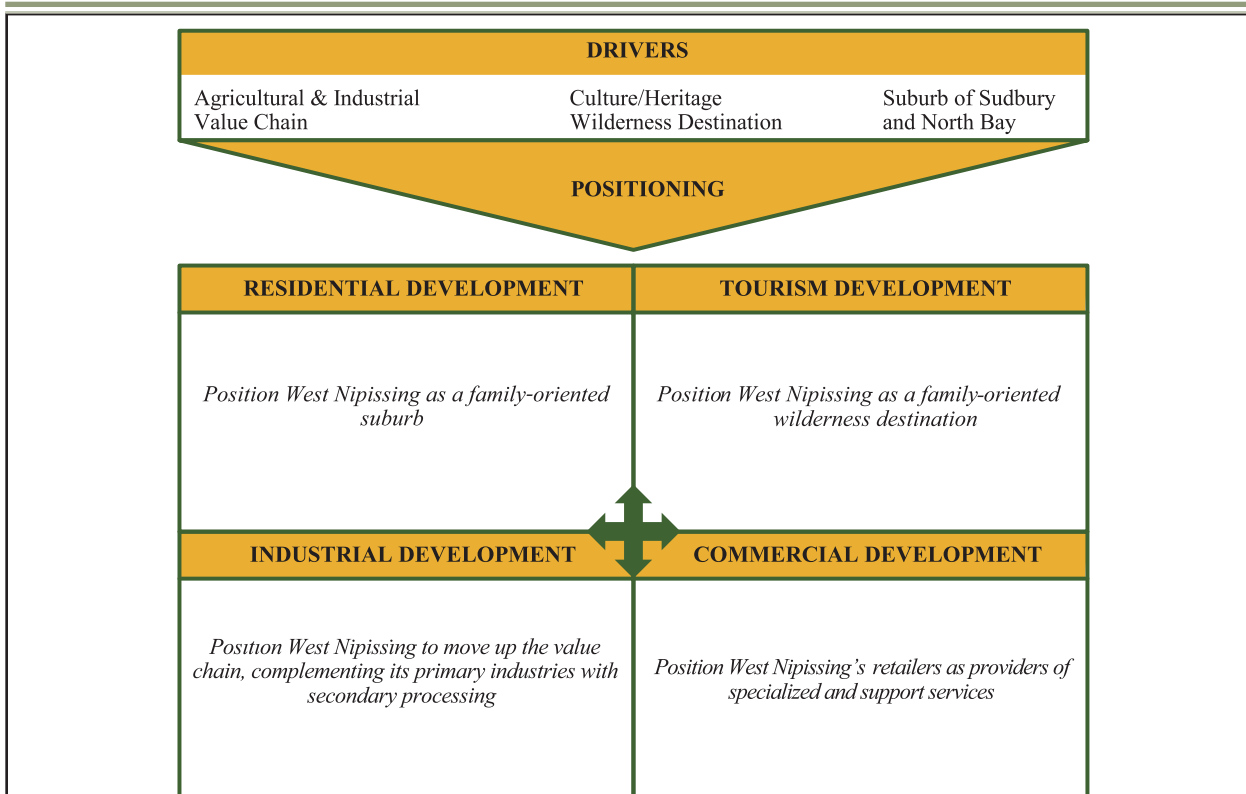
In addition, residents consider the history and culture of the communities that comprise the new municipality to be fundamental to its future development. West Nipissing is a meeting place of many distinct cultures, with strong Franco-Ontarian, Middle-Canadian and Aboriginal roots. Many residents of West Nipissing have a strong sense of identification with the northern wilderness that surrounds them, both as a "playground" and as an asset that should be exploited.

From a regional perspective, West Nipissing is in the spatial centre of two globally relevant clusters: forestry and mining. While the agricultural sector does not have a high concentration of employment, its historical and cultural importance, as well as its recent high growth rate, ensures its place upon this list.

As illustrated in accompanying positioning diagram below, the considerations outlined above have served as the primary drivers underpinning the proposed fourfold development strategy for West Nipissing. The positioning statement, reproduced in the accompanying chart, will provide a framework for the municipality's future actions in four spheres: industrial/agricultural, commercial, tourism and residential.

Conclusion

Strategic Positioning Diagram



Source: CAI Corporate Affairs International, 2003

The full impact of the positioning framework will also be felt as the campaign reaches its apex. The campaign, which is designed to act as a catalyst to encourage the emergence of community and business development initiatives, serves a dual role: While providing West Nipissing's entrepreneurs with an opportunity to put their projects on the table, it also provides CARC with a concrete means of supporting local industry. The integration of the 10 selected projects into the framework presented in the final positioning plan will launch the implementation phase of the strategy and CARC will be positioned to provide the support that local entrepreneurs require.

While no approach or plan provides a "silver bullet," and the municipality is unlikely to achieve its goals overnight, this plan will provide the building blocks for a successful and prosperous future for West Nipissing.

Finally, as a result of this positioning strategy, the Project Team was able to determine over 31 functional initiatives and action items for the benefit of West Nipissing's economic developers. These 31 action items are included as an appendix on the following pages.

Appendix

Actionable Recommendations

