

**PROVINCIAL POLICY AND LOCAL INITIATIVE:  
Community Economic Development in Nanaimo**

by

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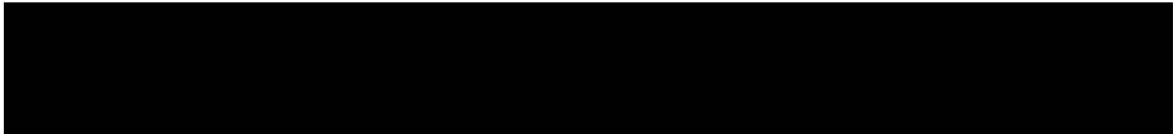
### ABSTRACT

Community Economic Development (CED) has been widely hailed as the most appropriate strategy for reviving local economies. It involves a new way of thinking, which avoids old controversies about public and private enterprise, and puts its emphasis on bottom-up community initiatives. It is designed to appeal to governments on both the right and the left - especially those that see themselves as representing people at the grass roots.

British Columbia has been governed for most of the last forty years by the Social Credit, a party with a strong rural, populist base and a commitment to small-scale private enterprise. Nonetheless, successive provincial governments have given scant support to Community Economic Development. This is despite the fact that the City of Nanaimo has been the site of one of the most successful CED efforts in the country. My purpose here is to explore this paradox, by examining provincial policy in relation to community economic development activities in the Nanaimo area. The thesis is that the province's failure to support CED initiatives in Nanaimo is due to a variety of political and bureaucratic resistances to the surrender of central authority.

To understand what is at stake, we must first put CED in perspective. The first chapter offers a review of traditional strategies for regional economic development, and shows how CED emerged as an alternative approach with some support from various governments, including the one in Ottawa. The second chapter provides a more detailed account of the evolution of relevant policy in B.C., and shows that the provincial government's approach to regional or community economic development has failed to incorporate the principles of CED despite some symbolic gestures in that direction in the late 1980s. The third chapter focuses on Nanaimo, where the province has created a major industrial park and supported municipal initiatives to attract outside investment. The doubtful benefits of these efforts are contrasted with the apparent success of the Nanaimo Community Employment Advisory Society (NCEAS) a CED initiative supported by the federal government but neglected by the province. In the fourth chapter, various explanations for the lack of CED program are examined: concerns over program overlap, cabinet infighting, ideological reservations, and concerns over local ability and accountability. While each of these explanations has its merits, it seems that a more comprehensive answer lies in the fact that elected and non-elected provincial officials view the devolution of power to non-governmental groups as a threat to either their chances of reelection or their agency's stature.

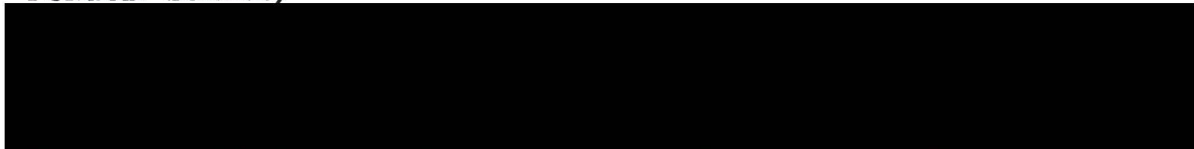
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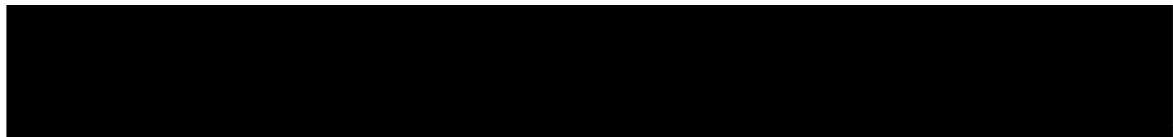
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**LIST OF ABBREVIATIONS**

**ACOA Atlantic Canada Opportunities Agency**  
**ALR Agricultural Land Reserve**  
**ARDA Agricultural and Rural Development Act**  
**ARDSA Agricultural and Rural Development Subsidiary Agreement**  
**ASEP Assistance to Small Enterprise Program**  
**BCDC British Columbia Development Corporation**  
**BDC Business Development Centre**  
**BIC Business Information Centre**  
**CBED Community Based Economic Development**  
**CCF Cooperative Commonwealth Federation**  
**CDC Community Development Corporation**  
**CED Community Economic Development**  
**CEIC Canada Employment and Immigration Commission**  
**CIC Colville Investment Corporation**  
**CICFC Central Island Community Futures Committee**  
**COED Community Organizations for Economic Development**  
**DFO Department of Fisheries and Oceans**  
**DITC Department of Industry Trade and Commerce**  
**DTC Department of Trade and Commerce**  
**DREE Department of Regional Economic Expansion**  
**DRIE Department of Regional Industrial Expansion**  
**EDC Economic Development Committee**  
**EDO Economic Development Officer**  
**ERDA Economic and Regional Development Agreement**  
**ESPG Economic Strategy Planning Grant**  
**FIDSA Forest Industry Development Subsidiary Agreement**  
**FRED Fund for Rural Economic Development**  
**GDA General Development Agreement**  
**IDSA Industrial Development Subsidiary Agreement**  
**LED Local Economic Development**  
**LEAD Local Employment and Assistance Development**  
**LEAP Local Employment Assistance Program**  
**LEDA Local Employment and Development Assistance**  
**LIFT Low Interest Funding Today**  
**LILA Low Interest Loan Assistance**  
**LIP Local Initiatives Program**  
**MISBD Ministry of Industry and Small Business Development**  
**MED Ministry of Economic Development**  
**MLA Member of the Legislative Assembly**  
**MP Member of Parliament**  
**MRED Ministry of Regional and Economic Development**

**NCEAS Nanaimo Community Employment Advisory Society**  
**NDP New Democratic Party**  
**NDFP Nanaimo Daily Free Press**  
**RDN Regional District of Nanaimo**  
**RED Regional Economic Development**  
**RIDA Regional Development Incentives Act**  
**SAP Special Areas Program**  
**SMDA Small Manufacturing Development Assistance**  
**TC Times-Colonist**  
**TIDSA Tourism Industry Subsidiary Agreement**  
**VS Vancouver Sun**  
**WDF Western Diversification Fund**

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**FOR FRANCES**

## INTRODUCTION

Nanaimo, British Columbia, plagued since the mid 1970s with high levels of unemployment, has been the site of several local economic initiatives. One has been a provincially inspired industrial park development which has failed to live up to the expectations of its creators. Another has been the effort of the City Council, supported by the provincial government to encourage outside investment in shopping centres and condominium developments. This boosterism - over supplying the market for industrial and retail space - has met with much criticism. However, Nanaimo has also been the site of a successful local initiative - the Nanaimo Community Employment Advisory Society (NCEAS) - sponsored by the federal government. The NCEAS has managed to attract much attention and praise for its community economic development (CED) efforts in that area.<sup>1</sup>

Moreover, within the Canadian CED movement, the NCEAS is held out as an example of what can be achieved by a community development corporation with an underlying philosophy which is neither right nor left on the political spectrum.<sup>2</sup> Despite the NCEAS's success, it has, like

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1 See Lloyd Baron and Noel Watson, Loan Funds for Small Business: Lessons for Canadian Policy Makers: A Case Study of Colville Investment Corporation, Nanaimo, British Columbia (Ottawa: Economic Council of Canada, 1989); Canada, Economic Council of Canada, From the Bottom Up: The Community Economic-Development Approach (Ottawa: Supply and Services Canada, 1990); and Cora Strandburgh, Community Economic Development in B.C.: Nine Case Studies (Vancouver: SPARC, 1985).

2 See Social Planning and Research Council of B.C. (SPARC), Community Economic Development in British Columbia (Vancouver: SPARC, 1986), pp. 1-7.

other CED initiatives, received relatively little support from any level of government, and almost none from the province. Although the British Columbia government has what it considers to be a CED program, it has essentially by-passed non-governmental organizations like the NCEAS. This is despite the fact that the long time governing party of B.C. (the Social Credit Party) claims to be a party of the grass roots and a supporter of local enterprise.<sup>3</sup>

The purpose of this thesis is to investigate the relation between CED (as exemplified by the NCEAS) and the state (specifically the B.C. government) in the Nanaimo context. The goal is to better comprehend why this promising approach to economic development has received so little state support, especially from the provincial government.

The first chapter sets the emergence of CED, as an alternative approach to economic development, within the context of continuing government efforts over the last forty years to remedy regional inequalities. Here, special attention is given to the basic tenets of Community Economic Development and the evolution of the federal funding mechanism for community development corporations like the NCEAS.

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3 As Walter D. Young points out the Social Credit consider themselves to be a party concerned with the needs and wants "...of the ordinary people rather than the interest of traditional elites: the wealthy establishment, and the power blocs - corporate business and organized labour." Walter D. Young, "Political Parties" in J. Terence Morley, et al., eds., The Reins of Power: Governing British Columbia (Vancouver: Douglas and McIntyre, 1983), p. 108. Also see David J. Elkins, "B.C. as a State of Mind" in Donald Blake, Two Political Worlds (Vancouver: University of British Columbia Press, 1985), pp. 62-64.

The focus of chapter 2 is on provincial economic development efforts of the last forty years in B.C.. Here, the B.C. government's conception of regional and community economic development will be detailed. As we shall see, despite the B.C. government's rhetoric about regional development and local enterprise, it always has envisaged these things in ways antithetical to the principles of CED, as CED proponents conceive those principles.

In chapter 3, our analysis turns to the city of Nanaimo. Here, three examples of state involvement will be contrasted. The first is a provincial industrial park. The second is the municipally-focused, but provincially-supported effort to attract outside investment, under a program that purports to embody principles of CED. The last is the federally-sponsored Nanaimo Community Employment Advisory Society (NCEAS), which actually does adhere to CED principles.

Chapter 4 explores various explanations for the lack of provincial support for CED in British Columbia. Provincial concerns over program overlap, allegations of cabinet infighting, ideological reservations of the Social Credit towards CED, and concerns over local ability and local competence are examined and found to be lacking as a comprehensive explanation. However, each of these explanations contains a theme which points towards a more comprehensive explanation centred on the individual and collective desires of provincial elected and non-elected officials to maintain power. In conclusion, it seems that while CED may empower those on the outside of the formal political system (community groups) it tends to disempower those within the formal system (elected and non-elected officials).

**CHAPTER ONE**  
**CED IN PERSPECTIVE**

**State Economic Development Efforts:**

Ever since the end of the second world war, the national governments of such countries as Canada, the United States and the United Kingdom, have increased their role in trying to alleviate their internal regional disparities. Their activity in this respect has moved from providing the necessary infrastructure for industrial development to providing a variety of financial incentives (grants, loans, loan guarantees, tax reductions, and utility rate reductions) to encourage investment. Their emphasis has been on trying to attract investment to particular locations which are considered to be slow-growth regions in relation to areas elsewhere in their countries. However, since the 1970s these activities - mainly by authorities at the local and sub-national levels - have been increasingly questioned as to their ability to rectify regional imbalances.

In Canada, as in other industrial nations, federal post-war economic development strategies have focused on nation-building, as governments moved to take advantage of a steady rate of economic expansion.<sup>4</sup> Characteristic of the late 1940s and 1950s were public infrastructure

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<sup>4</sup> Philip Resnick, The Ideology of Neo-Conservatism: Lessons for the Left (Vancouver: Pacific Group for Policy Alternatives, 1984), pp. 1-3. John Warnock, Free Trade and the New Right Agenda (Vancouver: New Star Books, 1988), ch. 1.

projects (railway and highway development).<sup>5</sup> During these years, as N. Harvey Lithwick points out, "...the dominant policy concern was reconstruction, the regional issue was not recognized as part of that problem or of its solution."<sup>6</sup> Yet by the late 1950s, attention to regional disparities began to grow with the election of John Diefenbaker and the Conservative Party. The Diefenbaker government owed much of its electoral support to the rural-agricultural areas of Canada. Therefore, it was not unusual that the issue of regional disparities - framed as a "problem of agricultural poverty caused by poor soil and water management and small farm size"<sup>7</sup> - began to rise in importance on the national agenda.

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5 Donald J. Savoie, Regional Economic Development: Canada's Search for Solutions (Toronto: University of Toronto Press, 1986), p. 12. As N. Harvey Lithwick points out, that "... efforts were largely in the field of public infrastructure building, including projects such as the Trans Canada Highway system, airport development, telecommunications and initiation of the Trans Canada Pipeline." Lithwick, "Regional Development Policies: Context and Consequences" in William J. Coffey and Mario Polese, eds., Still Living Together: Recent Trends and Future Directions in Canadian Development (Montreal: The Institute for Research on Public Policy, 1987), p. 123.

6 Lithwick, p. 122.

7 Clyde Weaver and Thomas I. Gunton, "From Drought Assistance to Megaprojects: Fifty Years of Regional Theory and Policy in Canada" in Canadian Journal of Regional Science (CJRS), Vol. 5, No. 1, Spring 1982, p. 11. The two main rural development programs in the 1960s were Agricultural Rehabilitation and Development Act (ARDA) and the 1966 Fund for Rural Economic Development (FRED). ARDA has been considered by some to be the first federal regional economic development program in Canada. See Savoie, pp. 23-24. "The Agricultural Rehabilitation and Development Act which provided joint federal provincial funding for soil and water conservation projects and land consolidation schemes [was] designed to increase the productivity of farms." Weaver and Gunton, p. 11.

By the late 1960s, with the Liberals having consolidated their hold on the federal reins of power, Pierre Elliot Trudeau newly elected leader of the party and prime minister of the country framed the existence of regional disparities as a threat to national unity. Trudeau argued that "if the underdevelopment of the Atlantic provinces is not corrected, not by charity or subsidy, but by helping them become areas of economic growth, then the unity of the country is almost as surely destroyed as it would be by the French-English confrontation."<sup>8</sup> Atlantic Canada, not unlike the North in Britain or the Appalachians in the United States, suffered from outdated industrial infrastructure and industrial decline. Federal assistance to the Atlantic region has continued to the present.

While the poorer provinces were receiving federal assistance, the wealthier provinces such as British Columbia and Alberta began to move towards their own economic development agendas sometimes characterized as 'province-building'. These moves resulted in an increase of competition between the provinces and the federal government within the realm of regional development. As Donald J. Savoie points out, "Regional development has often been a pawn in the continuing struggle between 'nation-building' and 'province-building'."<sup>9</sup> The federal government moved to increase its regional economic development visibility in the

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<sup>8</sup> Quoted in Savoie, p. 28.

<sup>9</sup> Savoie, p. 12. The wealthier provinces, such as British Columbia, were often upset that they received less from Confederation than they put in. See Philip Resnick, "The Political Economy of British Columbia: A Marxist Perspective" in Philip Resnick and Paul Knox, eds., Essays in British Columbia (Vancouver: New Star Books, 1974), p. 6; and Norman Ruff, "B.C. and Canadian Federalism" in J. Terence Morley et al., The Reins of Power: Governing British Columbia (Vancouver: Douglas and MacIntyre, 1983), pp. 271-304.

provinces - which in the past received relatively little assistance from Ottawa - to counter the provincial efforts to steal the limelight.<sup>10</sup>

Federal desires for public visibility resulted in an increase in the number of regional economic development programs. Similar to other governments in countries like the U.S. and U.K., Ottawa's RED efforts were dominated by a faith in supply-side economics. This meant providing the necessary incentives to reduce the cost of doing business in a depressed region for outside capital.<sup>11</sup> An early method within this supply-side realm was the operationalization of the growth-pole theory of development.

The growth pole theory of development, once followed in Europe,<sup>12</sup> is associated with Francis Perroux, a French economist who "...argued that economic activity tends to concentrate around certain focal points."<sup>13</sup> The idea, then, was to develop the depressed regions by first creating the necessary infrastructure for industrial development followed by the appropriate incentives for industry to locate in these areas.<sup>14</sup> In

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10 Furthermore, as Richard Simeon notes, "[t]he federal and provincial governments compete to gain credit, status and importance, and to avoid discredit and blame." Simeon, Federal-Provincial Diplomacy: The Making of Recent Policy in Canada, p. 185 quoted in Donald Savoie, p. 12.

11 Peter K. Eisinger, The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States (Madison, Wisc.: University of Wisconsin Press, 1988), pp. 10-12.

12 Lithwick, p. 132.

13 Savoie, p. 5.

14 The incentives were in the form of "cash grants; ...[which] would lower the cost of setting up production, compensating the investor for locating in economically weak regions." Savoie, p. 29.

theory, growth would then occur around these initial developments providing a remedy to the region's economic malaise.<sup>15</sup>

The economic disasters of the 1970s and the early 1980s (1973 oil crisis, 1974-75 and 1981-82 recessions, high levels of inflation, unemployment and interest rates) coupled with structural changes in the global economy (the globalization of capital and the movement away from resource and manufacturing towards a service and information-based economy) forced western nations to re-examine the virtues of the economic development strategies of the past. As Peter K. Eisinger points out, "the emergence of the global market place and the service based domestic economy strained public officials' commitment to the notion that private capital gently guided by location incentives would produce local prosperity."<sup>16</sup> While the scepticism of supply-side strategies began to grow at the local and sub-national levels in the U.K. and the U.S., the national governments of these countries renewed their commitment to

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<sup>15</sup> Lithwick, p. 132. Two initial initiatives based on the growth pole theory of development were the Special Areas Program (SAP) and the Regional Development Incentives Act (RIDA) created in 1969. As Savoie describes "[t]he growth-pole concept, it was believed, could create new opportunities at selected urban centres. Economic growth would take place through movement and change within regions, rather than between regions. Ottawa would implement the growth-pole concept through two new programs: the special areas program and the ... RIDA. The two shared the same objective: to encourage manufacturing and processing industry in the slow-growth regions." Savoie, p. 29. The SAP element involved the creation of the necessary infrastructure for industrial development while the RIDA provided the financial incentives, to induce industry to desired locales. Ibid, p. 29.

<sup>16</sup> Eisinger, p. 78.

supply-side initiatives in the form of the removal of trade barriers,<sup>17</sup> privatization of government owned corporations and deregulation,<sup>18</sup> the reduction of the tax burden on the wealthy and corporations,<sup>19</sup> and - with the exception of the United States - through reducing their expenditure on RED.<sup>20</sup>

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17 Peter Riddell, The Thatcher Decade: How Britain Has Changed During the 1980s (Oxford: Basic Blackwell, 1989), p. 73; and Samuel Brittan, "The Thatcher Government's Economic Policy" in Dennis Kavanagh and Anthony Seldon, eds., The Thatcher Effect (Oxford: Clarendon Press, 1989), pp. 27-28. In the U.S.-Canada Free Trade Agreement signed in 1989 is the best example of trade liberalization in the two countries.

18 In the United Kingdom see Riddell, p. 73; and Brittan, pp. 1-37. In the U.S. see Joshua Cohen and Joel Rogers, "'Reaganism' after Reagan" in Ralph Miliband, et al., eds., Socialist Register 1988: Problems of Socialist Renewal East and West (London: The Merlin Press, 1988), pp. 396-397. In Canada, see William T. Stanbury, "Privatization and the Mulroney Government", pp. 119-157, and Richard Schultz, "Regulating Conservatively: The Mulroney Record, 1984-1988", pp. 186-205 both in Andrew B. Gollner and Daniel Salee, eds., Canada Under Mulroney: An End of Term Report (Montreal: Vehicule Press, 1988); and also Warnock, ch. 16.

19 In Canada, see Warnock, pp. 47 and 69. For Britain see Riddell, p. 72; and Brittan, p. 26. Cohen and Rogers, pp. 395-396 and 400-401.

20 In Canada, expenditure on RED as a percentage of total government expenditure has declined from the 1983/84 level of 2% just before the Liberals left power in 1984 to 1.27 percent in 1987/88, well into the Conservatives first term in office. Canada, Public Accounts 1983/84 Vol. II (Ottawa: Supply and Services, 1984), Table 3; Canada, Public Accounts Vol. II, 1984/85, pp. 31.7, 31.30 and 31.30; Canada, Public Accounts Vol. II Part II, 1987/88, pp. 7.5, 7.92, and 7.103; Canada, Public Accounts 1989/90 Vol. I (Ottawa: Supply and Services, 1990), Table 1.5, p. 1.6. Thatcher has moved to "cut drastically" regional development grants to industry. Brittan, p. 3; and Riddell, p. 73. In contrast, much of the growth experienced by the United States during the Reagan era was due to what has been called 'military keynesianism' - massive public expenditure on arms manufacturing. Cohen and Rogers, pp. 397-399.

Under initiatives such as Free Trade, regions are expected to cope through developing their comparative industrial advantages (for example, forestry in British Columbia, and fishing in Newfoundland).<sup>21</sup> As Savoie points out, free trade is characteristic of the neo-classical (neo-conservative) belief that "...market forces resolves regional disparities."<sup>22</sup> The idea is that if capital is free to move it will locate in regions with lower costs of production. Such regions are often impoverished relative to national standards as well as desperate for capital infusions making them all the more inviting to outside capital.<sup>23</sup>

While national governments pursued such things as free trade (U.S. and Canada, and soon to include Mexico), sub-national and local governments moved towards an economic strategy which included an attention to demand-side economics. Demand-side initiatives, not unlike supply-side initiatives, involve efforts to develop existing business to become more competitive. However, instead of concentrating primarily on attracting outside investment, economic development from the demand-side perspective involves the use of incentives for research and development, government sponsored trade missions to search out new markets for local goods and encouraging the creation of venture capital pools to assist small business development. These demand-side efforts are characteristic

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21 See Savoie, p. 7.

22 Savoie, "Courchene and Regional Development: Beyond the Neo-Classical Approach" in *CJRS*, Vol. 9, No. 1, Spring 1986, p. 69; see also, Thomas Courchene and James R. Melvin, "Canadian Regional Policy: Lessons from the Past and Prospects for the Future" in *CJRS*, Vol. 9, No. 1, pp. 49-67; and Warnock, ch. 5.

23 Warnock, pp. 53-56.

of what Eisinger calls the "entrepreneurial state". Here, Eisinger argues that "underlying the actions of the entrepreneurial state is the assumption that growth comes from exploiting new or expanding markets."<sup>24</sup>

In Canada, as in the United States,<sup>25</sup> provincial governments were developing programs to create pools of venture capital necessary for small business development in their jurisdictions.<sup>26</sup> Some provinces (for example, Alberta and Ontario) have been quicker and more extensive than others (for example, British Columbia and New Brunswick) in their attempts to help existing businesses expand through creating various mechanisms intended to raise the badly needed high-risk venture capital.<sup>27</sup> In addition, greater attention to established firms can be seen in provincial efforts to find export markets for domestic goods through trade missions and the establishment of permanent overseas trade offices.

As a greater emphasis was placed on demand-side strategies of utilizing and improving available local resources to promote RED, the 1980s witnessed another change in thinking about economic development

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<sup>24</sup> Eisinger, p. 8

<sup>25</sup> See *Ibid*, ch. 10.

<sup>26</sup> See Edward T. Jackson and Jon Pierce, Mobilizing Capital for Regional Development (Ottawa: Economic Council of Canada, April 1990).

<sup>27</sup> By 1986, the Ontario government had provided a total of \$131 million through venture capital programs which have resulted in the creation of approximately 600 venture capital corporations (VCCs), where as in the same year, the B.C. government had only committed \$8.5 million through their venture capital program to assist only 32 VCCs. Moreover, Alberta, a smaller province in population, had by 1986 committed \$73.1 million assisting 461 VCCs. See Jackson and Pierce, p. 41, table 5.

in general. The release of Our Common Future (commonly known as the "Brundtland Report") in 1987 by the World Commission on Environment and Development shifted government attention towards the environmental consequences of unrestrained growth (dwindling supplies of natural resources, desertification, global warming, acid rain and other threats caused by unregulated short-sighted economic development strategies of past decades).<sup>28</sup> Thus, ideas of sustainable development and environmentally-friendly economic development, although originating years earlier,<sup>29</sup> started to take on a more visible role in the minds of economic planners and critics of conventional economic development strategies.

Elements of both these changes in thinking about economic development - the movement to demand-side and sustainable development strategies - can be seen to contribute to what is loosely called community economic development.<sup>30</sup> CED generally involves achieving the goals of

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28 See World Commission on Environment and Development, Our Common Future (Oxford: Oxford University Press, 1987), ch. 12. It is called the "Brundtland Report" after Gro Harlem Brundtland, who chaired the commission.

29 E. F. Schumacher, Small is Beautiful: a Study of Economics as if People Mattered (London: Blond and Briggs, 1973).

30 CED also arose as result of increasing cynicism during the 1970s about the effectiveness of traditional regional economic and job development strategies employed by senior levels of government. For example in Eastern Quebec in the 1970s, resistance to a growth pole (centre) approach to development resulted in community members taking matters into their own hands. The area was facing an economic reshuffling from 1961-1972 by the provincial and federal government which during this period were trying "... to develop 'rational' economic development plan for Eastern Quebec. [Bureau d'Amenagement de l'Est du Quebec (BAEQ): a federal and provincial government agency] ... produced a ten-volume report which recommended a growth centre

local opportunity, local initiative, local control and local self sufficiency. One of the main conduits for CED is the community development corporation (CDC). CDCs perform many tasks - which will be detailed below - that often involve an element of utilizing the existing resources of their community to assist existing members of the community to develop economically and socially in a manner which is sensitive to both the surrounding environment and the needs of the local people.

Experiments with this new approach to regional economic development are occurring in industrial countries such as Canada, the United States,<sup>31</sup> and the United Kingdom.<sup>32</sup>

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approach involving the closure of non-viable villages and resettlement in more 'dynamic towns'... Eventually, opposition surfaced. On September 19, 1970, fifty representatives from ten villages met and launched what they called Operation Dignity. The motivating factor, was that their human dignity was not being respected." (Macleod, p. 29) The local clergy became involved and later Operation Dignity resulted in the creation of a CDC. For more information see Greg Macleod, New Age Business: Community Corporations that Work (Ottawa: Canadian Council on Social Development, 1986), ch. 3.

31 For details of Community Economic Development in the United States which has its beginnings in the 1960s see George McRobie, Small is Possible (London: Sphere Books Ltd, 1981), ch. 5; Stewart E. Perry, Communities on the Way: Rebuilding Local Economies in the United States and Canada (Albany: University of New York Press, 1987); Robert Zdenek, "Community Development Corporations" in Severyn T. Bruyn and James Meehan, eds., Beyond the Market and the State: New Directions in Community Development (Philadelphia: Temple University Press, 1987), pp. 112-127; and Christopher Gunn and Hazel Dayton Gunn, Reclaiming Capital: Democratic Initiatives and Community Development (Ithaca, N.Y.: Cornell University Press, 1991).

32 For a discussion, of CED efforts in Scotland and Britain see George McRobie, Small is Possible, ch. 4; John Sellgren, "Local Economic Development and Local Initiatives in the mid-1980s: An Analysis of the Local Economic Development Information Service Database" in Local Government Studies (LGS), Vol. 13, No. 6, November/December 1987, pp. 51-68; and Paul Teague, "The Potential and Limitations of

### **CED and CDCs:**

The basic tenets of CED grow out a small body of literature from a few academics and practitioners. Some of the most recognized authors and practitioners in the field of community economic development are E.F. Schumacher, George McRobie, Greg Macleod, Jim Lotz, Susan Wismer, David Pell, David Ross and Peter Usher.<sup>33</sup> Although others have contributed, these authors are by far the most widely referred to in the Canadian literature on this subject.

Through the numerous existing definitions and descriptions of CED several themes emerge. First, such activity is neither solely private nor solely public: it is both, and hence referred to as of the 'third sector'. Second, it is profit-oriented but not profit guided, in that making a profit is not an end but a means to an end. The end is the autonomous

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Community Business in Local Economic Development" in LGS, Vol. 13, No. 4, July/August 1987, pp. 17-34; John Sellegren, "Local Economic Development Partnerships: An Assessment of Local Authority Economic Development Initiatives" in LGS, Vol. 16, No. 4, July/August 1990, pp. 57-78; Keith Hayton, "Future for Local Authority Economic Development Companies" in LGS, Vol. 17, No. 3, May/June 1991, pp. 53-67; J.A. Chandler and Paul Lawless, in Local Authorities and the Creation of Employment (Aldershot: Gower Publishing Company Ltd, 1985), ch. 7.

<sup>33</sup> The central works of these CED advocates are as follows: E.F. Schumacher, Small is Beautiful: Economics as if People Really Mattered, George McRobie, Small is Possible, Greg Macleod, New Age Business: Community Corporations that Work, Jim Lotz, Understanding Canada: Regional and Community Development in a New Nation (Toronto: NC Press Ltd, 1979), Susan Wismer and David Pell, Community Profit: Community-Based Economic Development in Canada (Toronto: Is Five Press, 1981), and David P. Ross and Peter J. Usher, From the Roots Up: Economic Development as if Community Mattered (New York: Bootstrap Press, 1985).

development of the community and not the development of the shareholders' bank accounts. Third, it is a bottom-up rather than top-down approach to solving regional and community disparities. It allows for informed community-based approaches rather than distant (federal and provincial) policies, which often lack the ability to distinguish between the needs of one community from the next. Moreover, as Greg Macleod points out, "rather than relying on outside forces completely, people are trying to take action from their home base."<sup>34</sup> Following from the latter theme is a fourth: a greater degree of individual control by members of any given community involved in CED type activities than is found in traditional approaches to regional problems. Furthermore, as noted by Arthur Stinson, CED "enterprise is acceptable to the local people; [and] the enterprise is controlled by the local people."<sup>35</sup>

In Canada, CED activity is partially an old idea in a new form; and it can be traced back to the days of the Great Depression on the Prairies and in the Maritime provinces, where farmers and community members banded together to create cooperatives to help counter the effects of the depression.<sup>36</sup> In recent decades this old idea has been

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34 Macleod, p. 8.

35 Arthur Stinson, "Community Economic Development" in Perception, Vol. 6, No. 3, January/February 1983, p. 35.

36 It is important to note that the ideas which inform CED today, such as worker participation and community participation, can be traced back much further in history (outside of Canada). In terms of early "co-operatives", one can point to the Rochdale Pioneers, a collective of people who established a consumer cooperative store in Rochdale, England during the mid 19th century. Ian MacPherson states that the Rochdale Pioneers: "provided the rules by which co-operative societies could function". Ian McPherson, Each for all: A History of the Cooperative Movement in English Canada 1900-1945, p. 6, quoted in George Melnyk, The Search for Community: From Utopia to a Co-operative Society

advanced to incorporate a goal of increased community planning and not just cooperative organization.

In sum, the advocates of CED call for a radical alternative to traditional forms of economic enterprise. On the other hand, CED carries a certain degree of legitimacy as its proponents do not call for either rampant public ownership or unbridled private enterprise. Rather CED involves empowering the individual at the community level while working within the existing framework of social and economic relations. The CDC, perhaps best exemplifies this co-existence between alternative economics and existing economic systems.

The community development corporation, an important conduit of CED in Canada,<sup>37</sup> may perform any of a number of functions within the

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(Montreal: Black Rose Books, 1985), p. 3. The New England town meetings of the eighteenth century, are early examples of community participation in North America. And one can also see the roots of citizen (albeit selective) participation in the city-state of Ancient Athens.

37 The CDC is not the only conduit embracing CED in Canada although it will be the focus of this project. Other forms of CED in Canada and in other countries are Local Exchange Trading Systems, Import-Replacement Schemes, Cottage Industries, Community run Recycling and Environmentally Sensitive Services as well as a host of others. For a sample of the literature on the subject see, Julia Langer, "Local Exchange Trading in British Columbia" in Alternatives, Vol. 12, No. 3/4, Spring/Summer 1985, pp. 53-55; Guy Dauncey, After the Crash: The Emergence of a Rainbow Economy (London: The Merlin Press, 1989), ch. 4; Carol Nielsen, "A Bioregional Approach to CED by Douglas Aberley: A Summary" in SPARC News, May 1987, p. 12; John Olsen, "Leakage and Community Venturing" in SPARC News, October 1986, pp. 5-6; H. Craig Davis, "Buy-Local Programs: Import Substitution at the Regional Level" in Plan Canada, Vol. 29, No. 1, January 1989, pp. 43-51; Jane Jacobs, Cities and the Wealth of Nations (New York: Random House, 1984); Alan Bird, "Establishing a Local Investment Fund: A Cape Breton Plan" in SPARC News, December 1986, p. 14; "Cottage Industry:

realm of community economic development. A CDC's goal may be to build low-cost housing for low-income members of their community; or a CDC may try to establish a dental clinic in an isolated community.<sup>38</sup> It may focus its efforts on replenishing the natural resources of its community through such activities as salmonoid enhancement and silviculture. A CDC may also act as a lender of last resort for members of the community. Moreover, a CDC is usually run by the members of the community it serves, and although the operation may turn a profit, no member will receive a share of that profit. All earnings on profit making activities, such as the interest charged on loans, are used to increase the effectiveness of the CDC in realizing its goals of CED, however defined. In sum, CDCs represent an important example of how citizens have banded together to utilize local resources to solve problems which often do not have local origins and which have forced many to leave their home towns for hope of a better existence in the larger urban centres of Canada.

#### **Federal Funding for CDCs:**

Much of what has occurred in Canada in the last decade with respect to CED would not have been possible if it were not for the

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Queen Charlotte Islands B.C." in SPARC News, December 1985, p. 16; Sally Lerner and Carolyn Oster, "Conservative Traditions and Ecocommunity Beginnings in Kitchener-Waterloo" in Alternatives, Vol. 12, No. 3/4, Spring/Summer 1985, pp. 46-50; Geoff Love and Ian Hilton, "Youth Venture Recycling: Employment and Community-based Economic Development in Toronto" in Alternatives, Vol. 12, No. 3/4, Spring/Summer 1985, pp. 50-52.

<sup>38</sup> For example of this type of CDC see John Hanratty, The New Dawn Story and Greg Macleod, New Age Businesses: Community Development Corporations that Work, pp. 13-24.

federal support programs. Although CDCs have been funded in the United States since the late 1960s,<sup>39</sup> the roots of the present funding mechanism can be traced back to the Community Employment Strategy of 1975. The CES program was a three year agreement originally between the Federal Liberal government and the New Democratic government of B.C. "... to enhance employment opportunities for persons who, because of their ongoing difficulties, rely on some form of transfer payment for a large part of their income."<sup>40</sup> In order to carry out this objective the program was to establish "... a community-based organization to provide a 'new perspective' for assessing the problems concerning local employment and to devise an employment strategy using existing resources."<sup>41</sup> The program was phased out in 1978 as part of the Liberal government's "expenditure restraint program,"<sup>42</sup> while successful CES initiatives were given federal grants to continue and to plan for new operations until a new program could be developed. It was these grants which marked the

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39 Nationally in the United States, CDCs received funds from the Ford Foundation and the federal Office of Economic Opportunity. They were to use the "... funds to initiate local development projects such as job training and small business development." Gunn and Gunn, p. 89.

40 Canada, Department of Employment and Immigration, Annual Report 1978-1979 (Ottawa: Supply and Services, 1979), p. 18. Nanaimo and Kamloops were the first cities in Canada to be used as a test case with others to follow. See "Kamloops, Nanaimo selected in attack on unemployment", Vancouver Sun, January 3, 1975, p. 6.

41 The agreement was between the Federal Department of Manpower and Immigration, and the Provincial Departments of Labour and Human Resources. See Norm Levi, Minister of Human Resources, B.C. Hansard, June 19, 1975, pp. 3718 and 3778; and also "Kamloops, Nanaimo selected in attack on unemployment", Vancouver Sun, January 3, 1975, p. 6.

42 Canada, Department of Employment and Immigration, Annual Report 1978-1979, p. 18.

beginning of a series of programs which were designed to fund what are often called community development corporations.

The first program - Local Employment and Development Assistance (LEDA) - was "introduced on a pilot basis in the fall of 1980."<sup>43</sup> It was intended to help local communities "stimulat[e] private sector employment through local enterprise development in the community."<sup>44</sup> The program was designed to provide funding for a community to set up a "LEDA corporation and plan its investment activities."<sup>45</sup> Once this had been done the group, if considered eligible, would receive a grant to a maximum of \$250,000 to cover the cost of its operations for a year.<sup>46</sup>

In Spring 1983, the federal government created a new program to take the place of the LEDA program and two other local job creation programs: Local Initiatives Program (LIP) and the Local Employment Assistance Program (LEAP). The new program was called Local Employment and Assistance Development (LEAD) and was fairly similar to the previous LEDA program. The purpose of the program was "...to increase the number of jobs by enabling community representative organizations to plan and carry out employment development activities that relate to the community's own objectives."<sup>47</sup> Groups funded under this

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<sup>43</sup> Canada, Department of Employment and Immigration, Annual Report 1980-1981, p. 10.

<sup>44</sup> Ibid, p. 10.

<sup>45</sup> Ibid, p. 10.

<sup>46</sup> Ibid, p. 10.

<sup>47</sup> Colin Campbell (MP-Liberal, Southwest Nova) House of Commons, Hansard, December 12, 1983, p. 98.

program could receive annual contributions up to \$130,000 to cover administration costs and up to a further annual \$220,000 to use "for making loans to local businesses."<sup>48</sup>

In 1986, however, the LEAD program was axed after the newly elected Conservative government's Program Review Task Force found it to have a number of difficulties.<sup>49</sup> The Community Futures program which replaced LEAD, was designed to assist "... communities hit by major lay-offs and plant closures, or faced with chronic unemployment and economic decline."<sup>50</sup> CDCs were still able to receive funding to cover administrative and capital costs (funds for loans to local businesses) under the Business Development Centre Option. However, Community Futures has four other options which a community group can utilize.<sup>51</sup> Communities selected for the program must establish a Community Futures committee "... to analyze labour market problems, to recommend which program options should be made available to their community, and

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48 Watson and Baron, p. 45; also Canada, Department of Employment and Immigration, Annual Report 1983-1984, p. 25.

49 The task force report argued that the LEAD program duplicated other federal programs and in some provinces (Quebec and Ontario) provincial programs. Also they felt it crossed into provincial jurisdictions in general by focusing on municipal (community) projects. Canada, Job Creation, Training and Employment Services (Ottawa: Supply and Services, March 1985), pp. 66-67.

50 Canada, Employment and Immigration, Annual Report 1986-1987, p. 25.

51 There is the Self-Employment Incentive Option which allows Unemployment Insurance or Social Assistance (Welfare) recipients to become self-employed. Another option is the Community Initiatives Fund which funds local infrastructure projects. Funds for retraining community members is also available. And finally, there is funding to help workers relocate to another location to find work. Ibid, pp. 25-26.

to provide a 'one-window' approach for the application of other Canadian Jobs Strategy programs."<sup>52</sup>

The Canadian Jobs Strategy (CJS) began on September 5, 1985, and is essentially a carry over of the programs which existed under the past Liberal government. Federal employment development programs under the CJS target women, aboriginal peoples, visible minorities and the disabled. However, the Conservatives argue that their programs have long-term objectives, in contrast to the short-term programs of the past.

The Community Futures program guidelines, however, resonate with neo-conservative terminology. Terms such as "local development corporations" have been replaced by "business development centres".<sup>53</sup> While the focus is still on strengthening the socio-economic base of communities faced with economic hardships, the Conservatives have moved to encourage individuals to relocate to more prosperous communities.<sup>54</sup> Worker relocation is a solution which is antithetical to the basic elements of CED, for it encourages the removal of talented individuals from the communities which need those people the most.

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<sup>52</sup> Ibid, p. 26. By the 1980s, in the U.S., CDCs had their funding cut back by the Reagan administration, forcing them to move towards a more traditional form of business creation. Not unlike the CDC to be analyzed in chapter three, "[i]n most [U.S.] CDCs, a non-profit parent organization with a broad social and economic development mandate operates for-profit subsidiaries." Gunn and Gunn, p. 90.

<sup>53</sup> Compare 1983/84 and 1986/87 annual reports of the Department of Employment and Immigration. Canada, Employment and Immigration, Annual Report, 1983/84, p. 25; and 1986/87, p. 26.

<sup>54</sup> Canada, Employment and Immigration Canada, Annual Report 1986/87, p. 26.

**CHAPTER TWO**  
**PROVINCIAL ECONOMIC DEVELOPMENT EFFORTS**  
**IN BRITISH COLUMBIA: THE LAST FOUR DECADES**

Historically, British Columbia is known for its bountiful supply of natural resources and the centre-periphery nature of its economy. Victoria and Vancouver - once the core of the province - are no longer the only populous places of British Columbia. However, they are still economically dominant.<sup>55</sup> Despite the present day difficulties in depicting British Columbia's internal economic relationships as one merely between a financial and transportation centre and a resource periphery, there is still a dependence on natural resources, mainly forestry and mining, which has led many to characterize the sum total of British Columbia as a "staple-state".<sup>56</sup>

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55 One can argue that the British Columbia economy is divided into two economic zones. One being Vancouver and the other being the rest of the province (excluding Victoria). As H. Craig Davis and Thomas A. Hutton point out that "[i]ncreasingly, the economy of British Columbia is becoming divided between two distinct segments: the service-oriented economy of Metropolitan Vancouver and the resource-based hinterland economy of the remainder of the province, particularly the interior of B.C. ... [However], Metropolitan Vancouver impels growth throughout the provincial economy via its economic port functions (sea, air and rail) and port-related activities (finance, insurance, communications and trade) which materially assist in moving hinterland products to export markets." H.Craig Davis and Thomas A. Hutton, "The Two Economies of B.C." in B.C. Studies, no. 82, Summer 1989, pp. 3 and 11.

56 Economist, Thomas Gunton, argues that "[t]he B.C. economy can be best understood in terms of staple theory. ... According to this theory, external demand for staple products is the primary generator of economic growth. Gunton, Resources, Regional Development and Provincial Policy: A Case Study of British Columbia (Ottawa: Canadian Centre for Policy Alternatives, 1982), p. 4. Sociologist Pat Marchak, argues "British Columbia is a distinctive region of Canada for several reasons: the population is, and has always has been, politically polarized; the economy is, and has always been, excessively dependent on the export of staples,

In the last four decades, the provincial government has increased its role in promoting the economic development of British Columbia.<sup>57</sup> Although some of their efforts have been concerned with regional economic development, they have not been part of a coherent and explicit strategy to create a balance between the regional economies of the province. When they have tried to alleviate regional disparities outside of Vancouver and Victoria, it has often been with assistance and encouragement from Ottawa. Moreover, where there have been regional development programs - alone or with federal assistance - the provincial government has neglected to support not only Community Development Corporations in particular but also community economic development initiatives in general. In order to demonstrate these assertions, the economic development record of the provincial government will be examined, with particular emphasis on what the government considers to be RED and CED, by premier and party in power: W.A.C. Bennett and

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particularly wood products; the region is becoming more of a periphery of the Pacific Rim; and it is a region that has not been adequately documented in national journals." Marchak, "British Columbia" in Daniel Drache and Wallace Clement, eds., The New Practical Guide to Canadian Political Economy (Toronto: James Lorimer and Company, 1985), p. 111.

57 Philip Resnick states with regard to the role of the B.C. government before the second world war that "entrepreneurial capitalists and robber barons were very much the norm in the province. Provincial governments were used to foster capitalist exploitation - alienating crown land, providing the militia for use against strikers - but remained fairly underdeveloped in terms of providing an infrastructure for capitalist development. The B.C. government was not a major economic force in its own right, tax revenues were low, projects like the Pacific Great Eastern Railway floundered." Resnick, "The Political Economy of British Columbia: A Marxist Perspective" in Philip Resnick and Paul Knox, eds., Essays in British Columbia Political Economy (Vancouver: New Star Books, 1974), p. 7.

the Social Credit (1952-1972), Dave Barrett and the New Democratic Party (1972-1975), Bill Bennett and the Social Credit (1976-1986), and Bill Vander Zalm (1986-1991).<sup>58</sup>

**1952-1972: Twenty Years of Energy and Transportation Development**

In British Columbia, where economic growth in relation to ultimate potential is still fractionally small, we are concerned mostly with the long-term factors of a continuing growth.

- W.A.C. Bennett, Premier  
and Minister of Finance<sup>59</sup>

Our basic objectives, are sustained and expanding development throughout British Columbia, fuller employment of our increasing labour force, and our bountiful natural resources to achieve a higher standard of living for all our people.

- W.A.C. Bennett, Premier  
and Minister of Finance<sup>60</sup>

The term 'province-building' characterizes the nature of the economic strategies employed under the stewardship of Premier W.A.C. Bennett and the Social Credit Party. Province-building resulted in government efforts to encourage the private exploitation of B.C.'s large untapped interior resource base (forests, minerals, and energy). These efforts had the aim of removing the perceived impediments to private investment in the province. Impediments in the 1950s and '60s were defined, in contrast to those of the 1980s (government regulation, tariffs, high taxes), as the

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<sup>58</sup> The rein of Bill Vander Zalm will examined essentially till the end of 1990.

<sup>59</sup> British Columbia, Budget Speech 1957, p. 6.

<sup>60</sup> British Columbia, Budget Speech 1965, p. 7.

absence of the necessary infrastructure and energy to access and process these resources. Thus, highway and railway expansions, and hydro-electric dam developments were extremely important in the Bennett era.<sup>61</sup>

With the increase in ownership of the automobile in the 1950s, highway construction played an important role in provincial politics. Like railroad development in previous years,<sup>62</sup> highway development became highly visible with voters and at one point the Department of Highways had the largest department budget in B.C.<sup>63</sup> Moreover, highway development along with railroad development were seen as "...the means of developing materially those northern areas of the Province that are

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61 See Ruff, "B.C. and Canadian Federalism" in Morley, et al., pp. 289-299.

62 The promise of Railroad development and the patronage which often went with it, was an important aspect of late nineteenth and early twentieth century provincial politics. B.C. Historian, Patricia Roy states that Richard McBride, Conservative Premier 1903-1915, "... was too shrewd a politician to ignore the public's interest in railways. ... [And that his] railway building schemes were the highly visible symbols of the prosperity in which he created his image as a politician extraordinaire." Roy, ....., pp. 5-6, and 27. Railroad development was so important in B.C. politics that Liberal Premier John Oliver nationalized the Pacific Great Eastern Railway in 1919. (Now known as B.C. Rail) See Pacific Great Eastern Further Powers Act, 1919, Statutes of British Columbia, c. 65. For more on early twentieth century B.C. Politics see Ian Parker, "Simon Fraser Tolmie: The Last Conservative Premier of British Columbia" in W. Peter Ward and Robert A.J. MacDonald, eds., British Columbia: Historical Readings (Vancouver: Douglas and McIntyre, 1981), pp. 517-531; and Margret Ormsby, "T. Dufferin Pattullo and the Little New Deal" in Ward and MacDonald, eds., pp. 533-554.

63 In 1960 and 1961 the Department of Highways had the largest budget allocations of all provincial departments. Although moving into third place behind Education and Social Welfare by the end of the 1960s, Highways continues to have a large budget allocation. See British Columbia, Budget Speech, 1960-1961.

endowed with vast and readily accessible natural-resource potentials such as power, gas, oil, minerals, forests, and agriculture."<sup>64</sup>

Connected with transportation development was the construction of several hydro-electric dams on the Columbia and Peace Rivers. The Bennett government saw a need for large power developments to run the mills and mines, which would locate near the provincially created transport links, going unfulfilled. Since the government believed that the private sector could not or would not fulfil this need for energy development, the B.C. government would have to step into this void and incur the costs of such developments. In the early 1960s this resulted in the government nationalizing the B.C. Electric Company and creating B.C. Hydro and Power Authority.<sup>65</sup>

The Department of Highways, B.C. Rail, and B.C. Hydro, were crucial instruments in the hands of the government to carry out its idea of 'province-building'. As W.A.C. Bennett, also Minister of Finance, states: "... the quasi-public sector [B.C. Hydro, B.C. Rail, etc.] encourages new investment by providing economical access to natural

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<sup>64</sup> British Columbia, Budget Speech 1957, p. 5.

<sup>65</sup> G.W. Taylor, writing on industrial history of B.C., argues that because no private business, for example - the B.C. Electric Co., was either able or willing to develop the large hydro dams necessary to provide an abundant and inexpensive supply of power to promote the industrial development of the Northern resource-rich areas of the province, the B.C. government stepped in and took over the B.C. Electric Company in 1961 and later founded the B.C. Hydro and Power Authority. The two relevant pieces of legislation here are the Power Development Act, 1961 and the B.C. Hydro and Power Authority Act, 1964. See G.W. Taylor, The Builders of British Columbia: An Industrial History (Victoria: Morriss Publishing, 1982), pp. 188-189.

resources, by augmenting private investment, and by providing abundant electricity for new industry and homes."<sup>66</sup> These bodies were involved in many of the multi-million dollar projects which have given B.C., and especially the Social Credit Party, somewhat of a reputation of being fond of mega-projects. They have also provided the locational inducements to private capital to invest in B.C. As Philip Resnick points out,

The provincial government and provincial crown corporations have become vastly more important since World War 2, providing a whole array of services, and much of the infrastructure for capitalist development. Highway and port developments, to facilitate the transportation and export of B.C. resources, followed thick and fast, while crown corporations such as the British Columbia Railway and B.C. Hydro became key boosters of B.C.'s resource industries. The PGE, especially during the [W.A.C.] Bennett years, opened up large tracts of central and northern B.C. for mineral and forest exploitation earmarked for foreign markets, while B.C. Hydro wooed foreign investors, stressing cheap and abundant power.<sup>67</sup>

Much of the efforts listed above were concerned with promoting various sectors of the B.C. economy and therefore did affect the resource rich regions outside of Vancouver. However, there were few explicit regional economic development initiatives during the Bennett years. Where they did occur they were in the form of agricultural assistance or regional investment promotions.

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<sup>66</sup> British Columbia, Budget Speech 1964, p. 14.

<sup>67</sup> Resnick, "The Political Economy of British Columbia: A Marxist Perspective", p. 9.

Although relations between B.C. and Ottawa were not always friendly,<sup>68</sup> the province did participate in the federal government's Agricultural Rehabilitation and Development Act (ARDA) program. Much of the assistance B.C. received via ARDA was used to improve the quality of soil, improve irrigation and drainage in rural agricultural areas. When ARDA was amended in 1965, becoming the Agricultural and Rural Development Act, "...to deal more broadly with rural poverty instead of just farm problems",<sup>69</sup> British Columbia continued to use ARDA assistance for "farm problems".<sup>70</sup>

Outside of ARDA, the provincial government had within the Department of Industry, Trade and Commerce a division responsible for regional development. With the province divided into 10 regions with

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68 Bennett often used the federal government as a scapegoat for the province's troubles and often was not pleased with the financial support his province received from Ottawa. Such an example was the joint federal-provincial Roads to Resources Program. This highway construction project fell short of a \$400 million five year highway construction program W.A.C. Bennett called for in a submission to a Federal-Provincial Conference, October 20, 1960. British Columbia, Budget Speech 1961, p. 68. The Roads to Resources Program was described by Bennett as being "little more than window-dressing." British Columbia, Budget Speech 1962, p. 9.

69 Weaver and Gunton, p. 11. This change was in response to the economic difficulties experienced by largely rural areas (small towns) in Atlantic Canada. See Savoie, Regional Economic Development: Canada's Search for Solutions, pp. 23-24.

70 In 1966 27 projects carried out through ARDA with the federal government paying half of a total cost of \$6,053,720. Out of the 27 projects, 22 dealt with soil and water, and the other dealt with various research studies into the rehabilitation of potentially productive land. British Columbia, Department of Agriculture, Sixty-First Annual Report 1966, p. 22.

four departmental field offices to serve the regions,<sup>71</sup> the objective was to work with the local Boards of Trade and Chambers of Commerce in marketing the regional and local economies.<sup>72</sup> Although this marketing did not involve giving grants or loans to private business to cover start-up or expansion costs, it was still directed at attracting private investment into these regions and communities.

These marketing efforts included conducting studies of the regional economies, providing cost-benefit analysis for prospective entrepreneurs wanting to start a business in the area and providing information with regard to the nature of the local and regional economies to domestic and foreign businesses. Also the division worked with the local officials in the area of tourism promotion and development, assisting in the publication and distribution of travel brochures and the development of park and beach facilities.<sup>73</sup>

Towards the end of the W.A.C. Bennett administration, make-work projects, usually in the area of park development, agricultural

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71 Region One - East Kootney, Region Two - West Kootney, Region Three - Okanagan, Region Four - Lower Mainland, Region Five - Vancouver Island and the Gulf Islands, Region Six - South Central B.C., Region Seven - Central Mainland Coast, Region Eight - North Central B.C., Region Nine - North West Coast and Queen Charlotte Islands, Region Ten - Peace River and North East Interior. British Columbia, Department of Trade and Industry, Annual Report, 1952, p. 45.

72 The Regional Development Division was disbanded by the mid 1960s, but the Department continued to perform the function of assisting the Boards of Trade and Chambers of Commerce "in their efforts to locate new industries and commercial enterprises for their respective areas." British Columbia, Department of Industrial Development, Trade and Commerce, Annual Report, 1966, p. 28.

73 Ibid, pp. 26-30.

development, and beautification were beginning to become a part of the picture in terms of RED in B.C.<sup>74</sup> However, the real proliferation in RED programs began with the New Democratic Party with their election victory in March 1972.<sup>75</sup>

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74 In 1971 and 1972 provisions in the budget were made for a \$10,000,000 Crop Insurance Stabilization Fund, a \$15,000,000 Accelerated Park Development Fund, and a \$10,000,000 Power-line Beautification Fund. British Columbia, Budget Speech, 1972, p. 23.

75 It has often been argued that the NDP won the March 1972 election due to the loss of traditional Social Credit support to the two provincial minor parties: the Conservatives and Liberals. See Donald Blake et al., "The Modern Provincial Party System" in Donald E. Blake, Two Political Worlds, pp. 25-27. Also see Michael Howlett and Keith Brownsey "The Old and New Reality: Party Politics and Public Policy in British Columbia 1941-1987" in Studies in Political Economy, No. 25, Spring 1988, pp. 153-154.

### 1972-1975: THE NDP YEARS

It might be said that we desire to turn attention around from gauging the Province's progress quantitatively to a qualitative measurement. I have said before that the economy should serve the people, not people the economy. This approach calls for a new perspective, both in the Government and private sectors. We do not desire growth for growth's sake, but rather growth on terms suitable to the Province.

- Dave Barrett, Premier and  
Minister of Finance<sup>76</sup>

An abundance of resources does not make it any less important for government or private business to maximize the value received for those resources, particularly of the nonrenewable nature. Unless their utilization can bestow social as well as economic benefits upon the Province, then it is possible their development may best be left to a later date.

- Dave Barrett, Premier and  
Minister of Finance<sup>77</sup>

With the NDP came not only a different version of the nature of the impediments to economic development but also different understanding of economic development. They saw the lack of industrial park land outside of the lower mainland as being an impediment to a regional balance in industrial development. On the other hand, they desired to protect arable land and increase the productivity of land used for agricultural purposes. In contrast to the Social Credit, the NDP saw economic development in terms of improving the quality of life as opposed to just the level of economic growth. The new government saw their role to be more active than passive within the realm of economic development, and thus, they

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76 British Columbia, Budget Speech 1973, p. 3.

77 Ibid, p. 3.

would not sit back and allow the rural economies die and the natural resources to be controlled by large often foreign-owned corporations. In this way provincial economic development efforts, under the NDP, moved to include not only a RED focus but also an emphasis on making better use of existing resources.

Unlike the Social Credit they moved to develop a program to provide direct financial assistance to industry. The main administrative vehicle in terms of industrial assistance was the British Columbia Development Corporation (BCDC), established by legislation in 1973.<sup>78</sup> The BCDC mandate was "to create, develop, and increase income, employment, tax revenue, and other economic benefits to the Province by encouraging and assisting in the establishment, expansion, and continued operation of industrial enterprise in the Province,...".<sup>79</sup> The corporation was developed because of the lack of inexpensive land available for heavy industrial use in British Columbia, and the entire Western world, at that time.<sup>80</sup> The BCDC was to increase the amount of industrial land in the province by purchasing idle land from municipal and private owners and turning it into industrial parks. Once land had been purchased and the basic infrastructure set in place, the BCDC and its various subsidiaries would then go about trying to entice industry to set up shop in these industrial parks across the province. The BCDC was not the only state-run enterprise to be concerned with economic development created by the NDP, but it was the one Crown Corporation which had

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<sup>78</sup> British Columbia, Development Corporation British Columbia Act S.B.C. ch. 27, royal assent April 18, 1973.

<sup>79</sup> Ibid, ch. 27, section 4.

<sup>80</sup> Interview with NDP-MLAs for Nanaimo-Ladysmith, Dale Lovick and Jan Pullinger, October 1990.

the closest and most substantial regional development focus.<sup>81</sup>

In the Fall of 1973, the NDP created the B.C. Petroleum Corporation which had "the authority to buy, sell, and explore for natural gas petroleum, and to purchase and operate pipelines and other related facilities in the Province. The Corporation ... purchase[d] all natural gas produced in [B.C.], sell[ing] it to marketing agencies ..., and export[ed] the excess."<sup>82</sup> The creation of B.C. Petroleum demonstrates one of several moves by the new government to control more of B.C.'s resources for the benefit of the province.

More radical moves involved the purchasing of shares to achieve majority control in the B.C. Cellulose Corporation;<sup>83</sup> and moreover, the purchase of a mill and town at Ocean Falls. In the former case, the corporation was taken over to ensure the job security of the mill workers and to ensure that the corporation would be controlled by British Columbians. In latter case, the town of Ocean Falls was in danger of dying since the only employer, the local mill, was threatening to close. The private owners of the mill had built the town and essentially owned most of the public buildings, therefore when the government bought out the company it assumed control of much of the town.

Outside of these takeovers, were more comprehensive moves to

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<sup>81</sup> This is especially true in terms of the projects carried out via BCDC under the W.R. Bennett government.

<sup>82</sup> British Columbia, Budget Speech, 1974, p. 11.

<sup>83</sup> British Columbia, Ocean Falls Corporation Act S.B.C. 1973, c. 64; and British Columbia, British Columbia Cellulose Company Act S.B.C. 1973, c. 8.

address regional disparities through a federal offer of a 50/50 cost-sharing RED program called a General Development Agreement (GDA).<sup>84</sup> Although seen by some as an attempt at easing "federal-provincial tension, while preserving Ottawa's visibility in the regional policy",<sup>85</sup> it was also considered an useful program from the perspective of the provinces to carry out their province-building aspirations.<sup>86</sup> The GDA signed March 28, 1974 by the Minister of Economic Development for British Columbia and the Minister of Regional Economic Expansion for Canada had two broad objectives:

(a) to improve opportunities for productive employment and access to those opportunities in areas or economic sectors of British Columbia which, relative to other areas or sectors of the province, require special measures to realize development potential; and

(b) to promote balanced development among areas of British Columbia and to encourage the equitable

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84 In terms of past federal RED assistance, Ottawa had relatively ignored B.C. By the mid 1970s, Ottawa saw that B.C. was suffering from a "heavy migration of job-seekers from Saskatchewan and Manitoba," which in turn increased the province's unemployment rate. With this in mind, the federal government saw that B.C. as well as the Prairie provinces had "renewable and non-renewable resources in substantial quantities from which development opportunities could be exploited." Savoie, Regional Economic Development: Canada's Search for Solutions, p. 46.

85 Lithwick also explains the GDAs between the provinces and the federal government, as being brought on by "the oil shock of October 1973 [which] plunged Canada into a new kind of economic stagnation. Real per capita income and productivity grew at negligible rates while inflation soared, as did unemployment. A major consequence was the serious fiscal difficulties into which all governments (federal and provincial, with the exception of energy rich Alberta and Saskatchewan) were plunged." Lithwick, 1987, p. 134.

86 Ibid, p. 135.

distribution of the benefits of such development.<sup>87</sup>

These broad objectives are designed to allow for a wide range of more specific agreements in the areas of tourism, forestry, industrial development and agriculture.<sup>88</sup>

In the history of provincial economic development, the Barrett government was also significant for their efforts to promote and protect the use of arable land for agricultural purposes. In addition, to taking advantage of existing ARDA arrangements, they renegotiated with Ottawa to allow for additional programs developed by the province, when "agreements with the federal government [could] not be made...".<sup>89</sup>

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87 "The strategy to attain these objectives includes directed sectoral and spatial diversification with encouragement, by federal and provincial actions, of specific key industries capable of providing essential catalysts to development in selected areas or sector opportunities of the province." Canada, Department of Regional Economic Expansion (DREE), Summaries of Federal-Provincial General Development Agreements and Currently Active Subsidiary Agreements (Ottawa: DREE, 1977), p. 217.

88 The main subsidiary agreements under the GDA did not follow until 1977, but one subsidiary agreement with regards to Northern Highway development was signed August 28, 1974. Also of note was a \$7,000,000 tri-level subsidiary agreement signed between the province, the Government of Canada, and the municipality of Fort Nelson to conduct waste and sewage system improvements with the less specific objective in mind to "help alleviate the serious economic and social problems now being experienced by the community of Fort Nelson because of the inadequacies of the infrastructure available in that community". DREE, p. 219.

89 British Columbia, Department of Agriculture, Annual Report 1975 (Victoria: Queen's Printer, 1976), p. 7. The NDP government created the Farm Products Industry Improvement Fund (FPIIF) under the Farm Products Industry Improvement Act. The purpose of this Act, "is to encourage and assist in the continued development and expansion of the agricultural industry of the Province" through the use of direct loans and loan guarantees to applicable agri-businesses. Ibid, pp. 15-16.

Moreover, the government placed much of the province's arable land under a Agricultural Land Reserve to protect it from non-agricultural uses.<sup>90</sup>

In terms of promoting agriculture, they assisted established agri-businesses to improve their methods of production in order to expand to meet existing local and export markets. Such initiatives also had the effect of helping out the rural areas of the province since a great deal of agricultural activity takes place in the interior of B.C.. For example, "[i]n the Buckley-Nechako Rural Development Region, two sawmill operators receive[d] ... grants totalling \$530,000 to help modernize facilities, provide new jobs, and increase their output of logs and rough lumber for farmers in the area."<sup>91</sup> However, although the Barrett government was short-lived, falling to defeat in 1975, the new government continued with some of the NDP legacy.<sup>92</sup>

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<sup>90</sup> See Land Commission Act, 1973, S.B.C., c. 46, s. 7(1) a and c, and s. 8.

<sup>91</sup> British Columbia, Department of Agriculture, Annual Report 1973.

<sup>92</sup> While pursuing industrial development under the NDP-created BCDC, maintaining the ALR, keeping the B.C. Petroleum Corp for over a decade and pursuing subsidiary agreements under the GDA, the Social Credit did their best, after regaining power (and before of course), to create a myth about, among other things, the NDP's fiscal mismanagement. For a journalistic, but revealing account of the Social Credit Party's actions to create this myth see Stan Perskey, Son of Socred (Vancouver: New Star Books, 1979).

## 1976-1986: The Bill Bennett Years

### Pre-Restraint (1976-1981)

Unfortunately, in recent times, a combination of world wide events - inflation, low world demands for our principal export products, and taxation policies of the previous Government that frightened investment capital - sent the Province into an economic decline to the point where the real increase in the Gross Provincial Product last year was less than 1 per cent. The result has been lower government revenues to pay for the growing demands on government.

- Evan Wolfe, Minister of Finance<sup>93</sup>

...I am concerned at the lack of capital investment in this province which, in turn, would stimulate employment. The government is developing job programmes, where it can, but the real stimulus to employment must come from the private sector.

- Evan Wolfe, Minister of Finance<sup>94</sup>

With the re-election of the Social Credit under the son of former B.C. Premier W.A.C. Bennett,<sup>95</sup> the provincial government, at first, continued much along the lines of the previous government. Locational inducements offered to firms grew over the ten year period, while much of the province's RED efforts were continued through federally-sponsored subsidiary agreements.

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93 British Columbia, Budget 1976, p. 5.

94 British Columbia, Budget 1977, p. 6.

95 The Social Credit managed to win the 1975 election by, among other things, building a "free-enterprise" coalition against the NDP. The NDP's support actually increased from 1972 levels; but those who voted Liberal and Conservative threw most of their support behind the revitalized Social Credit Party. Donald E. Blake, et al., pp. 25-27.

Between 1977 and 1979, the provincial government signed several subsidiary agreements under the 1974 GDA. A \$86,000,000 Agricultural and Rural Development Subsidiary Agreement (ARDSA),<sup>96</sup> a \$50,000,000 Tourism Industry Development Subsidiary Agreement (TISDA),<sup>97</sup> and a \$50,000,000 Intensive Forest Management Subsidiary Agreement (IFMSA)<sup>98</sup> were all concerned with encouraging the development of the agriculture, tourism, and forest industry sectors and had a secondary concern over spatial (regional) diversification.<sup>99</sup> However, a fourth

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<sup>96</sup> ARSDA's objectives are: "increas[ing] the production capability of the underdeveloped land resource, within the framework of those primary products which show market and production potential [and], provid[ing] the support services areas to develop the agricultural industry to secondary processing and value-added stages, thereby improving stability and rural employment opportunities." Canada, DREE, Summaries of Federal-Provincial Agreements and Currently Active Subsidiary Agreements, 1978, p. 229.

<sup>97</sup> The purpose of this program was "to strengthen the role of the travel industry in the province's economic development [by way of] develop[ing] long-term strategies for the travel industry by identifying trends,...by conducting feasibility studies,...upgrad[ing] travel industry facilities and infrastructure." Canada, Department of Industry, Trade and Commerce, and Department of Regional Economic Expansion, Annual Reports 1982-1983 (Ottawa: Supply and Services Canada, 1984), p. 50.

<sup>98</sup> The purpose of the IMFSA - via increased sivilculture - was "to strengthen the job-creating potential of the province's forest resources by increasing wood yield and expanding some of the intensive forest management programs of the province." Canada, Department of Industry, Trade and Commerce, and Department of Regional Economic Expansion, Annual Reports 1982-1983, p. 51

<sup>99</sup> Of course, these programs were all concerned with regional economic development within British Columbia and not just British Columbia as a whole. By the very location of forest and much of the agricultural resources, the rural and non-metropolitan areas were targets of this aid. Moreover, funds under the TISDA were mandated to only go to those areas outside of Victoria and Vancouver. See British Columbia, B.C. Small Business News, Vol. 1, No. 2, December 1980, p. 9.

agreement - the Industrial Development Subsidiary Agreement (IDSA) - was more concerned with spatial diversification of the economy than the former three.<sup>100</sup>

Moreover, the IDSA demonstrated a provincial as well as federal commitment to "facilitate" private sector investment in regions outside of the Capital Region (Greater Victoria) and the Lower Mainland (Greater Vancouver).<sup>101</sup> First, the main element of the IDSA was the development of industrial parks in order "to ensure the existence of adequate competitively priced industrial land in the key regional centres which have been identified as potential growth areas in the province."<sup>102</sup>

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100 The objective of IDSA is "[t]o encourage greater sectoral and spatial diversification of economic activity in the Province of British Columbia and thereby improve opportunities for productive employment in the target area and achieve a more balanced level of development among the different areas of the province." Canada, DREE, Summaries of Federal-Provincial General Development Agreements and Currently Active Subsidiary Agreements, December 1977, (Ottawa: Supply and Services Canada, 1978), p. 225.

101 Ernst and Whinney, Evaluation of the Industrial Development Subsidiary Agreement, March 1983, (Victoria: Queen's Printer, 1984), p. i and p. 45.

102 DREE, 1977, p. 226. This spatial strategy of focusing on certain areas of the province is similar to the growth centre approach often examined within the study of Regional Science. See William J. Coffey and Mario Polese, "Local Development: Conceptual Bases and Policy Implications" in Regional Science, Vol. 19, No. 2, p. 87. Here, Coffey and Polese argue: "[t]he general view of growth centre approach is to selectively create the stimulus for growth in a region by establishing at one or more centres conditions conducive to economic expansion - agglomeration and scale economies, and population and labour threshold; and to transmit to the lagging region in which it is situated the growth stimulus arising within the centre, as well as that arising within the centre, is linked, by means of 'spread or 'trickle down' effects." Ibid, p. 87.

Secondly, the IDSA was concerned with increasing industrial activity in these areas via "provid[ing] interest-free forgivable loans ... to qualified small industries."<sup>103</sup> Thirdly, in order to market the new industrial parks and the locational inducements the IDSA also provided for the creation of regional economic commissioners and commissions.<sup>104</sup>

Accompanying and including elements of the IDSA were the British Columbia Development Corporation's loan and industrial park development activities throughout the province. For instance, the BCDC used \$20 million, half of which was from the federal government, to assist large private businesses in the form of low-interest loan assistance (LILA).<sup>105</sup> The provincial government through the years augmented the existing federal-provincial arrangements with additional funding to these and other programs.<sup>106</sup>

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103 For more information with regards to the Assistance to Small Enterprise Program, see British Columbia, B.C. Industry and Small Business News, Vol. 1, No. 2, December 1980, p. 9. See also, British Columbia, Ministry of Economic Development, Annual Report 1977, p. 9.

104 British Columbia, B.C. Industry and Small Business News, Vol. 1, No. 2, December 1980, p. 9. See also British Columbia, Ministry of Economic Development, Annual Report 1977 (Victoria: Queen's Printer, 1978), p. 10; "Industrial Commissions program promotes grass roots participation" in British Columbia, B.C. Industry and Small Business News, Vol. 3, No. 1, February 1982, p. 1; and British Columbia, B.C. Industry and Small Business News, Vol. 2, No. 2, March 1981, p. 4.

105 British Columbia, Budget Speech 1978, p. 26.

106 In 1978, the LILA program involving the use of federal and provincial funding of businesses outside the lower mainland and capital region was augmented by the provincial government by a mirror program similar in every manner with one exception: it was targeted at businesses in the lower mainland and capital region. See British Columbia, Budget Speech 1978, p. 26; and Ernst and Whinney, p. 157.

By 1983, BCDC had 15 industrial parks completed or in the process of being serviced; and out of these, 12 parks were outside the lower mainland and capital region.<sup>107</sup> Thus, in terms of developing industrial infrastructure, the BCDC demonstrated a commitment to regional economic development.<sup>108</sup> On the one hand, the BCDC was targeting outside capital by providing serviced industrial land and low-interest loans to attract industry to areas outside of the lower mainland which reduced the costs of production in these areas. On the other hand, they were concerned with helping existing businesses expand through the LILA program.<sup>109</sup>

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107 For details of industrial park location see, British Columbia, BCDC: Ninth Annual Report 1983, p. 5. By 1985, 14 out of 20 BCDC industrial parks were developed or underway in areas outside of the lower mainland and the capital region. British Columbia, BCDC: Eleventh Annual Report 1985, p. 11. Most of these parks were funded solely with provincial funds. Two parks, one at Duke Point (shipping terminal) in Nanaimo and one in Kelowna were the only joint funded developments by the BCDC. However, these two parks out of a total of 22 IDSA parks accounted for 36% of IDSA expenditure and 26% of total IDSA serviced land. Duke Point also involved the single largest IDSA expenditure of \$13 million. Ernst and Whinney, pp. 44c and 45.

108 In addition to the function of industrial park development, BCDC also has a spatial commitment in the lending of money to private industry. "Emphasis is placed on decentralized growth of the province's economy. Approximately half the lending activity has taken place outside the Lower Mainland." British Columbia, BCDC: Second Annual Report 1976, p. 14.

109 A good indication of the position within the provincial government's overall economic strategy which the BCDC is situated comes from then BCDC President (and Minister of Economic Development), Don Phillips. He states that: "[t]he economy of British Columbia is based on the extraction, processing and export of our province's natural resources. The outlook is for the resource industries to continue to provide the basic impetus for the Province's economic growth. However, our economy cannot be conceived of totally in terms of resource products. A large and

However, the provincial government also realized the importance of directing tax dollars to the highly populated capital region and lower mainland. In 1980, the Small Manufacturers Assistance Program (SMAP) was developed "to help provide seed capital for manufacturers wishing to start-up or expand in ...the Lower Mainland, Gulf Islands and Capital Region."<sup>110</sup> Moreover, beginning four years earlier the government demand-side economic development strategy began to promote advanced technology research and development. Provincial grants for science and advanced technology research and development, virtually non-existent before 1976, were now made available annually by the Ministry of Education and Science and Technology, through the Science Council of

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increasing proportion of the labour force is engaged in providing services to both the domestic and export markets. Recreation, tourism, professional and technical services are growing and vital fields. The Province's natural attractions are a lure for visitors and an essential skilled work force. [The] objectives of the Corporation are to encourage the expansion or modernization of existing industries, to attract new industries to British Columbia, and by so doing, to promote economic development in all regions of the Province." British Columbia, BCDC: Second Annual Report 1976, p. 3.

110 British Columbia, Ministry of Industry and Small Business Development, Annual Report 1980-1981, p. 13. This loan program was designed to meet the needs of industry primarily in Victoria and Vancouver due to the inapplicability of the areas to those federal-provincial IDSA sponsored loan programs. The SMAP demonstrates the different spatial focuses of the provincial government from those of the federal government, and was continued until 1983. British Columbia, Ministry of Finance, Financial and Economic Review 44th ed., p. 88. Like the ASEP, the SMAP provided interest free-forgivable loans to cover half of capital start up costs and 30 per cent of expansion costs, to a total of \$30,000 and \$18,000, respectively. For examples of recipients see "Small Manufactures find needed assistance through SMA program" in British Columbia, B.C. Industry and Small Business News, Vol. 2, No. 2, March 1981, p. 3.

British Columbia. The Ministry set up a special purpose fund called the Discovery Trust Fund in late 1970s, to help finance research and development initiatives approved by the Science Council of British Columbia.<sup>111</sup> As did West Germany and Japan,<sup>112</sup> the government saw research and development as being important, yet most of the money from the Discovery Fund and other related funds went to projects in Victoria and Vancouver.<sup>113</sup> In this respect they were spatially biased, applying to the research needs of the major B.C. Universities in Victoria and Vancouver.<sup>114</sup>

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111 "The Discovery Foundation, a non-profit society and its wholly-owned subsidiary, Discovery Parks Incorporated, were established to advance scientific, technological and industrial research in British Columbia, partly through the establishment of industrial research parks. These parks provide an opportunity for the industrial sector to work with the academic community in the development of advanced and high technology industry." British Columbia, Ministry of Finance, Financial and Economic Review 44ed., October 1984, p. 89. Also see British Columbia, Budget 1979, p. 31; Budget 1981, p. 27; and Pat McGeer, Minister of Universities, Science and Communications, in B.C. Hansard, March 26, 1981, p. 4794.

112 West Germany and Japan between 1969 and 1979 increased their R and D spending significantly, leaving countries like the United States behind. See Eisinger, p. 81. Moreover, B.C. and Canada were behind the U.S. in R and D spending by 1973. In 1973, the U.S. spent 2.5 % of its GNP on R&D, while Canada spent 1.0% and B.C. 0.5%. See Gunton, Resources, Regional Development and Provincial Policy: A Case Study of British Columbia, p. 39.

113 British Columbia, Ministry of Finance, Financial and Economic Review 44 ed., October 1984, (Victoria: Queen's Printer, 1984), pp. 89-90.

114 However, research and development initiatives outside of the lower mainland and Victoria have increased in the last decade. See Irene Cheung, et al., A Study of Advanced Technology Industry on Vancouver Island (Victoria: University of Victoria, 1985).

### **Restraint and Beyond(1982-1986)**

**We could not avoid the current international recession. As with all regions and communities in North America, we are feeling the impact of high interest rate policies established in Ottawa and Washington. We are feeling the effects directly - through the crushing burden of interest rates on mortgages and personal and business loans; and indirectly - through the loss of sales opportunities and markets for our businesses. So it is that a province of boundless economic potential is in the midst of a period of lay-offs, unemployment and uncertainty.**

**- Hugh Curtis, Minister of Finance<sup>115</sup>**

**... I remain committed to a government role in the economy which supports private initiative, which provides permanent and rewarding jobs, and which builds a secure and prosperous economic future. No country or region has achieved enduring prosperity through expansion of overbearing government bureaucracy. Those governments which lean too heavily on the taxpayer, suppress individual initiative and mortgage the future, will inevitably precipitate economic decline.**

**- Hugh Curtis, Minister of Finance<sup>116</sup>**

**After the recession hit British Columbia in late 1981, government expenditure to induce business to B.C. increased. Moreover, several tax and utility rate reduction schemes were proposed and some were implemented. A supply-side dominated strategy to promote economic development was in vogue in B.C., as it was at the national level in Canada, the United States and the United Kingdom. However, the provincial government did move by 1985 to develop some demand-oriented strategies of its own. The Bennett government also developed what it considered to be a community economic development program.**

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**115 British Columbia, Budget 1982, p. 1.**

**116 British Columbia, Budget 1983, p. 2.**

Nonetheless, much of the focus of the Bennett government still relied heavily on mega-projects.

Bill Bennett's economic development strategies were not much different from those of his father, W.A.C. Bennett.<sup>117</sup> A case in point, is a continued faith in mega-projects designed to boost the B.C. economy (NE.Coal, Expo 86, B.C. Place, Vancouver Trade and Convention Centre and Victoria Convention Centre, Coquahalla Highway). The Northeast Coal Development, a resource-infrastructure program, was perhaps the largest project in provincial history.

The construction of port facilities at Prince Rupert, and a town at Tumbler Ridge in the Northeastern part of the province were only part of the estimated budget of over \$2 billion spent on this coal development.<sup>118</sup> Other expenditures included B.C. Rail's laying of a rail

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117 Philip Resnick summarizes the connection between the two premiers as follows: "suggesting continuity with the policies of the W.A.C. Bennett regime, was a commitment to continuing expenditures of the mega-project variety. ... despite the ideology of restraint, there was a clear willingness on the part of the provincial government to fund infrastructural and economic functions of its own choosing, even while beggaring social services." Philip Resnick, "Neo-Conservatism on the Periphery: The Lessons from B.C." in BC Studies, No. 75, Autumn 1987, pp. 15-16.

118 The exact figure of provincial monies spent on the Northeast coal development have as of yet to be clearly determined. What is known is that the development ran at a deficit due to problems in the pricing of coal in a long term agreement between the governments of Japan, British Columbia, and Canada, as well as the effect of low price of NE Coal on the rest of coal producers throughout British Columbia. \$1.35 billion is the figure given for government expenditure on the NE Coal Development in British Columbia, Ministry of Finance, Financial and Economic Review 44 ed., October 1984, p. 74; other sources put this figure at \$2.25 billion. See Lithwick, p. 140.

line from the development to Prince George, in order to connect rail lines to Prince Rupert. The project, although begun before the recession,<sup>119</sup> stood in stark contrast to the Social Credit's cutbacks and lay-offs in social services and provincial civil servants.

The main objective of the provincial government vis-à-vis Northeast Coal Development was by creating "new transportation links and port facilities ... [to] facilitate continued growth and industrial expansion in the northern regions of the province..."<sup>120</sup> Moreover, British Columbia, the government believed, would prosper through the creation of jobs, through private investment in the production, and increased tax and royalty revenue for both the provincial and federal

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119 The N.E. Coal project was planned and research on the basis of a perceived demand for large quantities of coal, among other resources, on world markets. As Resnick points out, "In simple point of fact, the B.C. economy during the second half of the 1970s experienced high rates of growth as compared to central and eastern Canada, fuelled by such factors as strong external demand for B.C. coal, lumber, and gas in the U.S. and Japan and high immigration into B.C. from other parts of Canada." Philip Resnick, "Neo-Conservatism on the Periphery: The Lessons from B.C." in *BC Studies*, No. 75, Autumn 1987, p. 10. Moreover, as pointed out by economist, Robert C. Allen, the NE Coal Development was planned when "... the conditions were right for mega-projects .... When the province was unsettled, there was productive agricultural, forest, and mining land that could be opened up by large scale transportation investment. Since these resources were intrinsically productive, they appreciated in value, raising average GDP. There are no longer productive, unsettled regions. Megaprojects are the wave of the past, not the future." Allen, "The B.C. Economy: Past, Present, Future" in Robert C. Allen, and Gideon Rosenbluth, eds., Restraining the Economy: Social Credit Economic Policies for B.C. in the Eighties (Vancouver: New Star Books, 1986), p. 38.

120 British Columbia, Ministry of Finance, Financial and Economic Review 44th ed., October 1984, (Victoria: Queen's Printer, 1984), p. 74.

governments.<sup>121</sup> What NE Coal development lends to an understanding of the nature of regional economic development in British Columbia, is its size and high cost in terms of job creation.<sup>122</sup> The use of large-scale projects to boost investment and growth and thereby jobs in British Columbia, has been a key element in the actions of Social Credit since the days of W.A.C. Bennett.

As the government embarked on its ambitious coal development project, it increased its inducements to business to expand and locate in B.C.. Small business loan assistance programs begun in more prosperous times were for the most part continued throughout the recessionary and restraint periods.<sup>123</sup> Under several industrial loan and loan guarantee

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121 British Columbia, Ministry of Finance, Financial and Economic Review 44th ed., October 1984, (Victoria: Queen's Printer, 1984), p. 74.

122 For a critique of the wasteful nature of NE Coal in terms of job creation, among other things see Allen, "The B.C. Economy: Past Present and Future" in Allen and Rosenbluth, eds., pp. 3-43; Gunton, Resource, Regional and Provincial Policy: A Case Study of British Columbia (1982); and B.C. Hansard, March 7, 1985, p. 5134 and March 11, 1985, p. 5149.

123 Loan programs for small and medium businesses, actually increased during the restraint era. On September 22, 1982, the provincial government announced the creation of a new loan program called Low Interest Funding Today (LIFT). The LIFT program consisted of a total of \$200 million, mostly of provincial funds. It included the continuation of the LILA program and the Small Manufacturers Development Assistance (SMDA) program, and the introduction of a "\$170 million B.C. Small Business Development Fund." British Columbia, Ministry of Industry and Small Business Development, Annual Report 1982-1983, p. 5. As a federal-provincial Assistance to Small Enterprise Program (ASEP) came to an end in March 1983, the SMDA, created in 1980, replaced it. Yet later that year, "the program was converted to focus assistance toward high technology firms through the Discovery Enterprise Program." British Columbia, Ministry of Finance, Financial and Economic Review 44 ed., October 1984, p. 88. This shift in focus demonstrates the provincial

programs, including LIFT and LILA, the BCDC more than doubled its annual assistance to private industry over the period March 31, 1982, to March 31, 1985.<sup>124</sup> Most of the funding for these programs came from the province, while Ottawa contributed some money through joint-funding.<sup>125</sup> Moreover, by the end of 1986, the BCDC had accumulated a total debt of \$347.3 million.<sup>126</sup>

The provincial government moved in 1984 to sign new economic

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government's desire to develop an advanced technology industry in British Columbia. "The Discovery Foundation, a non-profit society, and its wholly owned subsidiary, Discovery Parks Incorporated, were established to advance scientific, technological and industrial research in British Columbia, partly through the establishment of industrial research parks." Ibid, p. 89.

124 For the fiscal year ending March 31, 1982, the total BCDC administered loan and loan guarantee programs totalled \$49,854,000. By the March 31, 1983, this figure had increased by 40 per cent to a total of \$73,712,000. By March 31, 1985 this figure had increased by 54 per cent to a total of \$113,978,000. Source: Figures compiled from British Columbia, BCDC: Eighth Annual Report 1982, p. 13, BCDC: Ninth Annual Report 1983, p. 15, BCDC: Eleventh Annual Report 1985, p. 8.

125 The BCDC continued operations until March 31, 1987 when, along with B.C. Place Ltd., it became the British Columbia Enterprise Corporation. The BCEC mandate was to privatize all outstanding loans to commercial banks and to sell off all land holdings of the Development Corporation. British Columbia, Auditor General, Annual Report, March 1990, (Victoria: Queen's Printer, 1990), p. 164. In many cases this has yet to be done, with lands still under provincial ownership. Duke Point Industrial Park, located in Nanaimo, is a good example of such a case where the Development Corporation's subsidiary Duke Point Development Company still owns the land although most of it remains idle. The relation of BCDC, Duke Point and provincial efforts at economic development in Nanaimo will be discussed in greater detail in the following chapter. Also see the case of lands located in the lower mainland, Ibid, pp. 165-168.

126 British Columbia, Budget 1987, p. 104, Table H.

development agreements with Ottawa to replace those under the expired 1974 GDA. The Economic and Regional Development Agreement resulted in six subsidiary agreements worth over \$550 million.<sup>127</sup> These subsidiary agreements were generally a continuation of the agreements made under the 1974 GDA.

Furthermore, the provincial government, along with the federal government, spent a considerable amount of money on the creation of trade and convention centres in Vancouver and Victoria. Although equally concerned with promoting 'off-shore' investment in the province, the government increased its efforts in searching out new markets for existing B.C. business. While overseas trade promotion occurred during the W.A.C. Bennett years, the Bill Bennett government increased the profile of British Columbia on the world stage.<sup>128</sup>

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127 ERDA was different, for the most part, only in title from the former GDA. It was to last 10 years, with broad term of reference allowing for the signing of subsidiary agreements in a number of industrial sectors. See Savoie, "Politicians and Approaches to Regional Development: The Canadian Experience" in *CJRS*, Vol. 10, No. 2, Summer 1987, pp. 223-225. The six subsidiary agreements included: Tourism (\$30,000,000), Science and Technology (\$20,000,000), Industrial Development (\$125,000,000), Small Business Incentives (\$50,000,000), Agriculture (\$40,000,000) and Forestry (\$300,000,000). Each agreement was for five years and costs were shared equally between Victoria and Ottawa. Several other subsidiary agreements, not included in the above total, were signed including: Victoria Convention Centre (\$14,550,000-1986), and several Native economic development programs. Canada, Department of Regional Industrial Expansion, *DRIE Annual Report 1986-1987* (Ottawa: Supply and Services Canada, 1987), pp. 34-35 and p. 47; British Columbia, *Budget 1985*, p. 14; and British Columbia, Ministry of Finance, *Financial and Economic Review 48th ed.*, October 1988, p. 114 and p. 121.

128 In 1985, the government created the Ministry of International Trade and Investment to carry out the following functions: "international marketing, investment promotion and trade policy [because the government

They also put on an ambitious Exposition, with the aim of opening up B.C. to the governments and people of the world. Expo 86, it was hoped, would go farther than just increasing tourism to the province to increase international investment in the province. In 1985, Expo was hailed as being the "most important" industrial development capital project. Moreover "... our world exposition, Expo 86, will generate jobs and economic activity across the province and will bring the world to British Columbia. New markets and investors will be introduced to our province."<sup>129</sup> Expo 86, like NE Coal, was criticized as being a waste of money in terms of permanent job creation.<sup>130</sup>

Also in 1985, the provincial government, as had several other provincial governments previously,<sup>131</sup> developed a Small Business Venture Capital program.<sup>132</sup> As seen by the government, one of the roadblocks preventing economic renewal was the lack of investment capital available for small businesses. Since the Minister of Industry and Small Business Development and others believed that "90 per cent of all new employment will be created by small business" they felt it was necessary

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perceived that t]he vitality of the British Columbia economy is directly linked to our ability to export goods and services", Don Phillips, Minister of International Trade and Investment in B.C. Hansard, April 26, 1985, p. 5829.

129 British Columbia, Budget 1985, p. 15.

130 See Charles Blackorby, Glen Donaldson, Robert Picard, and Margret Slade, "Expo 86: An Economic Impact Analysis" in Allen and Rosenbluth, eds., pp. 254-278.

131 See chapter one.

132 Small Business Venture Capital Act, S.B.C. 1985, ch 56.

to encourage private individuals, many of whom, it was believed, had large amounts of money stagnating - in terms of small business development - in savings accounts.<sup>133</sup>

This program allowed for the creation of non-government Venture Capital Corporations, the purpose of which were to provide tax incentives to those willing to invest in high-risk ventures.<sup>134</sup> These measures were taken because "[t]he provision of risk capital to finance new ventures is an important ingredient in a dynamic and growing economy. This aspect of financing has not been adequate in Canada and, accordingly, the government is encouraging equity investment through this new mechanism."<sup>135</sup> However, it is important to point out that these VCCs are profit making ventures for their investors. Thus they are much different from Community Development Corporations.

Greater attention to the role of municipal governments in the promotion of economic development occurred late in the Bennett administration with the passing of the Provincial-Municipal Partnership Act

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133 B.C. Hansard, May 31, 1985, p. 6371.

134 The tax incentive is in the form of a 30 per cent provincial income tax credit of a personal investment of up to 60,000 in a Venture Capital Corporation (VCC) operating in B.C. VCCs have been popular in other Canadian provinces besides B.C.. Alberta and Ontario accounted for nearly 80% of all the VCCs in Canada in 1986. While in 1986 VCCs in B.C. contributed to less than 2% of the national total, the B.C. total had doubled by March 1988. Source: Edward T. Jackson and Jon Pierce, Mobilizing Capital for Regional Development, April 1990, p. 41, Table 5; British Columbia, Ministry of Finance, Financial and Economic Review 48th ed., October 1988, p. 118; and Small Business Venture Capital Act, Section 20.

135 British Columbia, Budget 1985, p. 11.

and the Provincial-Municipal Partnership (Taxation) Act. The former act, provided for initiatives such as the Community Organizations for Economic Development program and the Economic Strategy Planning Grants program. A closer examination of these two programs will occur at the end of this chapter due to their relevance to community economic development.

In terms of the Provincial-Municipal Partnership (Taxation) Act, Hugh Curtis, then Minister of Finance, stated that its prime purpose "is the reduction in property taxes on new industrial improvements."<sup>136</sup> This concession was intended to encourage business location and expansion across the province. The purpose of this legislation, as we shall later see, was to encourage municipal governments to compete with one another for capital investment. This legislation, which provided for a reduction of up to 50% non-residential school taxes if matched by an equal reduction of non-residential property taxes by a participating municipal government,<sup>137</sup> was complemented by two other pieces of proposed legislation.<sup>138</sup>

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136 B.C. Hansard, May 28, 1985, p. 6301.

137 See Provincial-Municipal-Partnership Act, S.B.C. 1985, ch 19, sections 2, 3, and 4; and Provincial-Municipal Partnership (Tax Relief) Act, S.B.C. 1985, ch. 54, sections 2 and 3.

138 Outside of the Provincial-Municipal Partnership program and Electricity Discounts, other tax reductions included a small business tax credit, property tax reduction on machinery and industrial equipment, reduction of the tax on the industrial use of fuels, and a reduction in the Corporation Capital Tax. See British Columbia, Budget 1985, pp. 8-13.

The first was the Special Enterprise Zone and Tax Relief Act (Bill 49), which, although it was never implemented, displays the Social Credit government's commitment to unleash the force of the 'free market'. The objectives of this legislation was "to position the province as a competitive participant in the innovative investment climate of the Pacific Rim and other parts of our world, and to ensure that all regions of our province can cooperate fully in new development opportunities."<sup>139</sup> It was proposed that these Special Enterprise Zones (SEZs) would be administered under a separate authority from the municipality. They would be administered by a subsidiary of the BCDC and inside these SEZs such tax levies as sales tax on machinery and property taxes would be absent. Moreover, they would have relaxed labour laws in terms of an exemption from minimum wage laws and union control.<sup>140</sup> Although no SEZs were created, owing to the lack of the necessary federal cooperation, and the realization that too many existed in the world to make it worthwhile, the idea of such an economic strategy demonstrates the dominance of supply-side thinking in the creation of economic development programs of the provincial government.<sup>141</sup>

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139 Bob McCellan, Minister of Industrial and Small Business Development, in B.C. Hansard, June 20, 1985, p. 6770.

140 See David Donaldson and Jacequelin K. Maund, "Does B.C. Need Special Enterprise Zones?" in Robert C. Allen and Gideon Rosenbluth, eds., Restraining the Economy: Social Credit Economic Policy in the Eighties, pp. 297-315.

141 The Minister of ISBD, stated with regard to SEZs, "[w]e want to use the zones as an incubator, to diversify the industrial structure, with the longer term objective of having these industries form the nucleus of a future generation of industrial activity." Bob McCellan in B.C. Hansard, June 20, 1985, p. 6770. Hong Kong, with its relaxed taxation and labour laws is often held out as a "positive" example of what might occur if such SEZs were to go ahead in B.C.

The other complementary piece of legislation was the Industrial Electricity Rate Discount Act (IERDA).<sup>142</sup> This act, which has been implemented, was designed to take advantage of electricity surpluses produced by B.C. Hydro.<sup>143</sup> Rate discounts are provided for "firms which increase their output and thus increase employment by either of the three following things: increasing the capacity or utilization of an existing plant, expanding plant capacity, or undertaking new investment."<sup>144</sup> The IERDA and the tax reductions provided under the Provincial-Municipal Partnership program were intended to assist existing business and induce outside investment. While, they represent a mix of demand and supply-side strategies, the proposed SEZs demonstrates the provinces primary interest, in the former two programs, in reducing taxes and other costs to induce business to B.C..

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142 Industrial Electricity Rate Discount Act, S.B.C. 1985, ch. 49.

143 It is interesting to note that while the province was trying to get rid of surplus hydro power it was also embarking on two multi-million dollar hydro projects. See Marvin Schaffer, "The Benefits and Costs of Two B.C. Hydro Construction Projects" in Allen and Rosenbluth, eds., pp. 279-296.

144 B.C. Hansard, June 6, 1985, p. 6502.

### 1986-1991: The Vander Zalm Era

Economic policies, in particular, will be tailored to the realities of the late twentieth century. Fresh approaches are needed to satisfy the hopes and aspirations of British Columbians and to build an economy that will provide jobs and incomes for future generations. Endorsement of a Social Credit government for the eleventh time in the last twelve elections shows that British Columbians still believe individual enterprise and a strong private sector are the keys to growth and progress for our society.

- Mel Couvelier, Minister of Finance<sup>145</sup>

The ... challenge is to broaden and strengthen the province's industrial base, particularly in non-metropolitan areas. Forestry, mining and fishing built this province and gave us a high standard of living. With proper management, these industries will continue to be sources of jobs and incomes for our citizens.

- Mel Couvelier, Minister of Finance<sup>146</sup>

Although the Social Credit Party formed the government once more, the new premier, Bill Vander Zalm, brought with him a slightly different philosophy towards economic development. The most notable changes were moves towards economic development based on a more decentralized regional model. However, despite these changes, the general theme of achieving economic growth through facilitating private investment continued. Moreover, the infrastructure mega-project model of economic development had not been completely dismissed, especially when federal financing could be secured.

The Vander Zalm government substantially increased the amount of resources being used to develop external trade markets and attract

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145 British Columbia, Budget 1987, p. 1.

146 Ibid, p. 3.

external investment. Following in footsteps of the Bill Bennett government, Vander Zalm committed more effort towards outside markets with the creation of the Ministry of International Trade and Business Immigration (MIBI) to replace the Ministry of International Trade and Investment<sup>147</sup> and the creation of the B.C. Trade Development Corporation.<sup>148</sup>

The fascination surrounding the potential for new industries within

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147 Through a number of measures: trade missions, foreign trade offices and participation in international trade fairs, MIBI's role is to promote the export of B.C. goods, increase international investment in B.C., and promote immigration into B.C.. The provincial government's Business Immigration program begun in 1986, provides for preferential treatment to those immigrants that have large sums of money to invest in B.C. The program, jointly operated with the federal government, gives the B.C. government the ability to assess "the viability of investment proposals by those applying under the Investor Category. The federal guidelines state that investor category immigrants must have a net worth of \$500,000; have demonstrated business skills; and invest at least \$250,000 for a minimum of three years in a project, business or syndicate providing 'significant economic benefit to the province'". "Ministry encourages investment through new programs" in B.C. Politics and Policy, Vol. 2, No. 1, February 1988, p. 9. The international focus of the government in general and MIBI in particular has been primarily the Pacific Rim and Europe. British Columbia, Ministry of Finance, Economic and Financial Review 48th ed., October 1988, pp. 119-120.

148 The Trade Development Corporation is intended to be the business arm of MIBI, combining the efforts of British Columbia in creating external trade and investment opportunities throughout the world. See John Jansen, Minister of International Trade and Business Immigration, in B.C. Hansard, May 3, 1989, pp. 6554-6555. Increasing B.C.'s external trade is immensely important, in the eyes of the Minister of International Trade and Business Immigration, who states: "[t]he BC Trade Development Corporation embodies the tradition, sense, focus, and position of British Columbia as a trading province destined to remain prosperous through its continuing dynamic interaction with the global marketplace." John Jansen in B.C. Hansard, March 29, 1989, p. 5738.

the fields of science and technology continued to grip provincial policy-makers into the Vander Zalm regime. In 1988, the Ministry of Economic Development drew up a plan to coordinate ministry efforts with regard to particular sectors of the economy which seem to have the greatest potential for future growth and job creation. Top on their list were Aerospace, Electronics and Microelectronics, and Subsea industries; bottom on the ministry's list were industries such as Agriculture, Forestry, and Mining.<sup>149</sup> The shift in priorities away from primary resource based industries demonstrates the provincial government's realization of global economic changes. Thus, rather than relying on the primary resource sector for future economic growth, diversifying the provincial economy was seen as the most promising direction to head.<sup>150</sup>

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149 See "Ministry 'business plan' points the way for future" in BC Politics and Policy, Vol. 2, No. 1, February 1988, p. 7; also see Grace McCarthy, Minister of Economic Development in B.C. Hansard, May 16, 1988, p. 4482. This is what Eisinger would describe as being characteristic of the entrepreneurial state, where the role of the state "...is to identify and evaluate, anticipate, and even help to develop and create these markets for private producers to exploit, aided if necessary by the government as subsidiser or co-investor." Eisinger, p. 9. The idea of strategic planning, is reflected even at the local level, where some cities in the United States, such as Pittsburgh, are moving to transform their economic base away from dying industrial sectors to more promising ones (for example, high tech industries). See Alberta M. Sbragia, "Pittsburgh's 'Third Way': The Nonprofit Sector as a Key to Urban Regeneration" in Dennis Judd and Michael Parkinson, eds., pp. 51-68.

150 Finance Minister, Mel Couvelier, describes the changes in world markets and economic development opportunities in the following passage. "Markets for resource products are volatile and communities that depend on these markets are exposed to instabilities that are economically and socially disruptive. As a provincial government, we are powerless to affect global commodity prices. We trade our resources in a world market. To do so successfully, we must compete not only on ability and service, but also on price. If we are to wean ourselves from this excessive dependency on factors beyond our control, it must be through a conscious, deliberate and disciplined program of diversification. To some

The faith in "high-tech" industries, as they are sometimes called, can be seen in the provincial government's investment in Moli Energy Ltd and a potential Kaon Factory. Moli Energy was seen to have great earning potential due to its development of a special rechargeable lithium battery. After receiving some \$25 million dollars in BCDC loans,<sup>151</sup> most of which was provincial money, the province four years later lent the company \$4.1 million.<sup>152</sup>

In the case of the Kaon factory, if ever developed, it is projected to cost over \$500 million dollars, of which the provincial government is willing to contribute about \$80 million if Ottawa contributes the rest.<sup>153</sup> The project, the government alleges, would create "19,000 person years of direct employment" and would put B.C. on the cutting edge of advanced particle physics research.<sup>154</sup> Although yet to be realized, government hopes for the growth of advanced technology industries in

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degree this is already happening. Tourism has grown steadily in recent years to add a new dimension to the economic base of many communities. High technology firms and knowledge-based industries, through small, are growing rapidly. These are welcome developments, but we need more." British Columbia, Budget 1987, p. 3.

151 See Order in Councils 1356/1984 and 1896/1984, which allow for loans to Moli Energy Ltd. to total \$30 million.

152 For more details on the Moli Energy story see "Moli's \$6.4 Million Bail-Out Contradicts Vander Zalm Philosophy" in BC Politics and Policy, Vol. 3, No. 5, June 1989, pp. 12-13.

153 See Stan Hagen, Minister of Advanced Education and Job Training and Minister responsible for Science and Technology, in B.C. Hansard, April 20, 1989, pp. 6249-6250.

154 Ibid, pp. 6249-6250.

B.C. are characterized by the desire for the Kaon factory, and moreover, by the continuing financial commitment to the troubled Moli Energy Ltd.<sup>155</sup>

More conventional economic development projects came in 1989, when Finance Minister, Mel Couvelier, announced a \$3.5 billion - five year - transportation program called "Freedom to Move."<sup>156</sup> Such projects included in this program are the building of new ferries, the Vancouver Island Highway upgrade and expansion, Skytrain extension, and other highway developments.<sup>157</sup> Additionally, the long promised Vancouver Island Gas Pipeline was finally given the go ahead after the necessary federal government financing was secured. These projects demonstrate that in B.C. the end of infrastructure development is not near.

In terms of 'smokestack chasing', large industries were the focus of the provincial government. One example, is the current hopes of the provincial government for a \$4 billion steel factory from Taiwan, which

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<sup>155</sup> The provincial government in July 1990 passed the Science and Technology Fund Act. This act allows the government to set up a special purpose fund to promote research and development efforts in B.C. The government has promised that it will allocate over a five year period \$420 million dollars to the fund. See British Columbia, Bill 18: Science and Technology Fund Act, passed 3rd reading July 19, 1990; and "Science Council helps government boost R and D" in BC Politics and Policy, Vol. 4, No. 8, September 1990, pp. 12-13.

<sup>156</sup> British Columbia, Budget 1989, p. 9.

<sup>157</sup> Ibid, pp. 9-10.

the government alleges will create 6,000 direct jobs.<sup>158</sup> Although the plant has yet to locate in B.C., the provincial government holds it out as a 'golden example', even if only a potential one, of the B.C. economy shedding its past of being "hewers of wood and drawers of water."<sup>159</sup>

Towards the end of 1987, Premier Vander Zalm announced that he had plans to decentralize the operations of government. Precise details of the plans for decentralization have been scarce and originally involved the division of the province into regions each to receive a Minister of State.<sup>160</sup> Each Minister of State was usually responsible for an additional ministry. There was no specific legislation passed with regards to the exact role a Minister of State was to perform. The government outlined their roles as broadly having to do with promoting economic development in the regions and acting as a liaison to cabinet for their respective

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<sup>158</sup> Elwood Veitch, Minister of Regional Development, in B.C. Hansard, April 12, 1989, pp. 6035-6036.

<sup>159</sup> Elwood Veitch in B.C. Hansard, April 12, 1989, p. 6036. Moreover, China Steel is held up as an example of the B.C. government encouraging secondary industry which would help the B.C. coal industry. Ibid, pp. 6035-6036. However, it is unlikely that China Steel will locate in B.C. due to the negative results of a recently completed feasibility study. See B.C. Politics and Policy, Vol. 4, No. 12, January 1991, p. 15.

<sup>160</sup> Moreover, in July 1988, the Ministry of Economic Development became the Ministry of Regional Development. The new Ministry continued to perform the general role of the previous Ministry with the addition of a more regional focus to development. This new regional focus contained the implementation of the vague regional plan for decentralization. Also each region was now to have a Regional (Economic) Development Liaison Officer to help coordinate the economic development efforts of the government and the individual municipalities. Interviews with Kevin McKee, and Melinda Entwistle - EDO for the City of Nanaimo.

region.<sup>161</sup> The opposition used the ambiguous nature of the Ministers of State as an opportunity to 'grill' particular Ministers of State such as Terry Huberts with questions in regard to what his role was as Minister of State for Vancouver Island/Coast.<sup>162</sup>

On the one hand, this program was seen to favour less populated regions as they would end up receiving more money per capita.<sup>163</sup> However, on the other hand, the opposition saw the Region plan as a move towards centralization rather than decentralization. Since each Minister of State, under the Regional Seed Capital Program,<sup>164</sup> was able

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161 In the debate of the estimates for the Ministry of Regional Development, the Minister of Regional Development Elwood Veitch argued that "[r]egional development throughout Canada and the world is the way of the future. ... technology and geography are only two of the components of the peaceful economic revolution that has taken place over the past 40 years. A third and growing component of the this economic revolution is the worldwide movement to regionalize decision-making. ... A regionalized structure allows for manoeuvrability and adaptability which are essential of one is to successfully compete in today's world economy. The rationale for regionalizing operations is quite simple. It makes for more informed decisions which reflect the needs and priorities of people in the area." B.C. Hansard, June 20, 1989, pp. 7367-7368.

162 Huberts was grilled for much of the June 21, 1989 afternoon session of the B.C Legislature and was the focus for almost the entirety of morning and most of the afternoon sessions of June 22, 1989. See B.C. Hansard, June 21-22, 1989, pp. 7732-7740, 7771-7784, 7787-7818, and 7919-7826.

163 "Ministers of State to oversee new small business program" in BC Politics and Policy, Vol. 2, No. 3, April 1988, p. 4.

164 The purpose of the Regional Seed Capital Program is "to provide assistance to regional businesses for economic development initiatives." [This involves the giving of] loan guarantees of up to 75% of eligible project costs, to a maximum of \$50,000." British Columbia, Ministry of Finance, Financial and Economic Review 48 ed., October 1988, Table 6.13, p. 117. What the government considers to be an "economic

to hand out government money, albeit in the form of loan guarantees to groups in their regions, the opposition saw this as a way for Social Credit to receive credit for public money spent in opposition ridings. Moreover, the fact that each Minister of State would be in cabinet would further centralize power in the hands of the executive away from the representation of the legislature. Thus, it was felt that the Ministers of State were really just "Sacred Overlords" controlled by the Premier.<sup>165</sup>

Notwithstanding the debate over whether or not the Vander Zalm government was sincerely concerned with promoting the decentralization of government services, the Region plan was scaled back with the number of Ministers of State shrinking to five and then disappearing altogether to be replaced by a board of regional economic development (See Appendix B). However, each region, has a regional development liaison officer (RDLO) in charge of "assist[ing] regional groups with development of regional inventory needs, and project identification and priorities."<sup>166</sup> Presently,

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development initiative" is fairly open ended but generally is constrained to small business development within each region. The program originally provided each Minister of State with power to provide loan guarantees in total up to \$2,000,000. This figure was later increased to a maximum of \$6,000,000. "Special Report: Provincial Budget for Fiscal 1989/90" in BC Politics and Policy, Vol. 3, No. 3, April 1989, p. 9.

<sup>165</sup> Interview with Dale Lovick and Jan Pullinger, NDP-MLAs for Nanaimo-Ladysmith, October 1990; and see, New Democratic Party, Government in the 90's: Regional Economic Development in British Columbia (Vancouver: B.C. NDP Convention Discussion Paper, 1990), p. 4.

<sup>166</sup> British Columbia, Decentralization, 1988, p. 5. These RDLOs perform a similar function as do the Municipal EDOs. The only significant difference is that the allegiance of the RDLO is with the provincial government whereas the EDO works for the elected representatives of his or her municipal government. Interviews with Kevin McKee, Melinda Entwistle, Joy Leach, and Bonnie Plyzac.

the regional plan seems to be in limbo.

Another form of decentralization took place under the Vander Zalm government. The government moved more towards a 'people's capitalism' through the use of tax incentives. The government not only expanded the scope of the Small Business Venture Capital Act,<sup>167</sup> but also created an Employee Investment program. The Employee Investment Act provided for two programs. One, the Employee Share Ownership Plan (ESOP) was to encourage workers to invest in their employer's company through purchasing shares.<sup>168</sup> The other was for workers to pool their money in Employee Venture Capital Corporations, which can then make investments in businesses in B.C.<sup>169</sup>

Nick Loenen, Parliamentary Secretary to the Minister of Tourism, Recreation and Culture stated "[p]olitically, the ESOP combines the personal initiative and responsibility of capitalism with social justice concerns of socialism."<sup>170</sup> Therefore, the continued support in the VCC

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167 The Venture Capital Corporation guidelines were amended in 1988, broadening the economic sectors where investments can take place, allowing for VCCs to have controlling interest in a eligible small business, and lowering the maximum and minimum limits on investments in eligible small businesses. See Small Business Venture Corporation Act, S.B.C. 1988, c. 43, s. 80, 81, 82, 87.

168 The Act provides for a 20% tax credit to employees in the amount they invest in shares in their employer's company. Bill 32: Employee Investment Act, passed 3rd reading June 15, 1989. See Part 1, Section 7(1).

169 As with Venture Capital Corporations the investments must be made at arm's length. See Employee Investment Act, Bill 32, Part 2, Section 18 (1) and (2).

170 B.C. Hansard, April 15, 1988, p. 3886.

program and the creation of the Employment Investment program demonstrated that the new administration desired to move away from lending money to private businesses, while increasing opportunities for small businesses to acquire 'seed' or capital start-up funding in the private sector.<sup>171</sup>

### Provincial Conceptions of Community Economic Development:

In 1985, the government "[i]n an attempt to aid the process of local, community-based economic development, ... introduced the Provincial-Municipal Partnership Act."<sup>172</sup> According to the government, approaches to economic development would no longer come solely from the top-down, but would also come from the bottom-up.<sup>173</sup> Among other

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171 The Vander Zalm administration believed as did others that small businesses were the key to providing jobs in B.C., into the next decade. This can be seen in their efforts to increase the sources of funds for small businesses and through the findings of government reports. A recent Ministry of Regional Economic Development report states: "The importance of small business is supported by statistics showing that small firms accounted for 85 per cent of the employment created in B.C. between 1979 and 1987". British Columbia, Ministry of Regional Economic Development, Small Business in British Columbia 1979-1989: A Decade of Change, 1990, p. 1. In a recent paper sponsored by the Economic Council of Canada, it is noted that "[t]here is increasing agreement that small and medium sized entrepreneurs represent the greatest potential for job creation and economic development in most modern industrialized economies". Edward T. Jackson and Jon Pierce, p. 1.

172 British Columbia, Ministry of Industry and Small Business Development, Community Organizations for Economic Development Program and the Economic Strategy Planning Grants Program Guidelines, p. 3.

173 The government's reasoning was described as follows: "Following the national decline in economic activity in 1981, it has apparent that the creation of new employment opportunities has taken place primarily in

things, this movement to increase local involvement in economic development resulted in the creation of what the provincial government purports to be a community economic development program.

Their CED initiative consisted of the Community Organizations for Economic Development (COED) program administered by what was then the Ministry of Industry and Small Business Development (MISBD), and the Economic Strategy Planning Grants (ESPG) administered by the Ministry of Municipal Affairs. Although the provincial government considered these programs to be CED initiatives, "it must be stressed that only municipal governments may take advantage of these programs."<sup>174</sup>

The COED program has two elements: the Committees Program and the Special Projects Program. The Committees Program has three objectives:

First, to encourage and induce the creation of permanent new economic development organizations at the community level that can support the hiring of a full-time Economic Development Officer dedicated exclusively to the job of promoting and facilitating economic development.

Second, to contribute financially to the operations of existing economic organizations that have a full-time Economic Development Officer, and have proven successful, in the past, in the process of stimulating and facilitating internally generated economic growth at the community level.

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small and medium sized enterprises. Because the attitude and structures of municipal governments significantly affect small and medium-sized enterprises, these programs specifically focus the efforts of the provincial and municipal governments on the process of internally-generated growth at local level." Ibid, p. 3.

<sup>174</sup> Ibid, p. 3.

Third, to provide assistance to communities that, for some reason, cannot have or participate in an economic development organization with a full-time Economic Development Officer.<sup>175</sup>

Financial assistance, however, was limited: Municipal Economic Development Committees (EDCs) or Organizations with an existing Economic Development Officer (EDO), or EDCs desiring to hire a EDO could receive provincial matching funds up to a maximum of \$25,000.<sup>176</sup>

In terms of the Special Projects Program, the objective is "to help communities fund projects and organize events which will raise the awareness of local economic conditions and will foster and stimulate the economic development process."<sup>177</sup> Eligible projects can receive up to a 50% matching grant to a maximum of \$5,000 per project. Applicable projects include "the design of an advertising campaign or the production of promotional video tape, and market research aimed at promotional economic development in communities."<sup>178</sup>

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<sup>175</sup> Ibid, p. 7.

<sup>176</sup> It should be noted that only municipalities with 35,000 or more people can receive a matching grant of \$25,000. See Ibid, pp. 8 and 14-17. For the 1987/88 fiscal year the funding for the COED program was \$1,599,000, for 1988/89 it was \$1,750,000, and for 1989/90 it was \$2,250,000. COED funding was miniscule in relation to total government expenditure: 1987/88 = .015% and 1988/89 = .01%. Sources Hansard, July 16, 1987, p. 2602; British Columbia, Ministry of Finance and Corporate Relations, British Columbia Economic and Statistical Review, 14th edition 1989, p. 134, and 15th edition 1990, p. 165; British Columbia, Public Accounts Vol. I, 1987/88, p. B6; and 1988/89, p. B6.

<sup>177</sup> Ibid, p. 12.

<sup>178</sup> Ibid, p. 12.

With the ESPG program, the objective is to assist "municipalities in preparing economic development strategies for their local area."<sup>179</sup> The Ministry of Municipal Affairs administers the ESPG program and will reimburse a single municipality up to 50% of projected costs deemed eligible by the ministry. However, several municipalities working together, within a regional district, may receive a contribution covering a maximum of 60% of the project's cost.<sup>180</sup>

In terms of the municipal EDO, there are two primary functions. Firstly, the EDO, works with his or her committee and the CED branch of the then MISBD, now the Ministry of Regional and Economic Development, in accessing funds such as the Special Projects component of the COED program and monies under the ESPG program, for developing marketing strategies and promotional activities. For example, the EDC and the EDO may decide on the creation of a video to be made detailing the positive aspects of their community. This video may be used to promote the community at a regional or provincial trade show.

The second function of the EDO, overlapping with the first, involves anything from assisting businesses with feasibility studies to providing resources (technical and financial) to those entrepreneurs outside and inside the community. The EDO acts as a resource access point, assisting business inquiries in the community. The EDO can point the inquirer to the applicable government or private sector contact. For instance, the EDO may direct the inquirer to the local, provincially-

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<sup>179</sup> Ibid, p. 6.

<sup>180</sup> Ibid, p. 6.

sponsored, Business Information Centre (BIC). The BIC, usually operating out of the local Chamber of Commerce, contains information on government programs and has a resource librarian to assist the inquirer in fulfilling his or her needs.<sup>181</sup>

Additionally, the EDO helps coordinate the necessary resources, financial and technical, for conducting a feasibility study to test the potential for and potential impact of a business enterprise inception or expansion. For example, an economic actor from outside or inside the community desires to set up a widget plant but wants to make sure there is a market for widgets.<sup>182</sup> If the study is small and concerns a small geographical area, the EDO may be able to find the local information, for instance, through the existence of reports of past local market studies. But if the study requires a large area to be studied, the EDO can help the actor by coordinating through the CED branch the necessary government assistance.<sup>183</sup>

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<sup>181</sup> The provincial government shares the cost of Business Information Centres with local chambers of commerce. The primary purpose of the BICs is "to disseminate information on the various sources and type of assistance for small business." British Columbia, Budget 1987, p. 87.

<sup>182</sup> Another purpose of the feasibility study, is for the local EDC, to determine the impact of a widget plant, for example, on the community. Here, the EDC may be concerned with how the widget plant will fit into the existing economy. Will the plant displace existing plants producing a similar product? Or in the case of environmental concerns, are the plant's operations incompatible with the surrounding environment? Thus, the feasibility study performs two functions: one to see if it is profitable for the widget plant to set up shop or expand in the community; and the other, to determine whether the potential plant will displace the existing economic interests and/or be 'friendly' towards the environment. Ibid.

<sup>183</sup> The Ministry of International Trade and Investment may become involved if the actor is concerned with the potential for the overseas export of his or her widgets. The EDO serves as a access point to the

In terms of the structure of the EDC, it is usually made up of volunteers from the municipal council (including the Mayor) and, in many cases, the local Chamber of Commerce.<sup>184</sup> The role of the EDC, is to provide management and assistance to the EDO in his or her economic development efforts. In some cases, the EDO may be responsible directly to the EDC; in other cases the EDO may be directly responsible to the Mayor.<sup>185</sup> Either way, though, the EDO is responsible to an elected body.

Although the above description of the government's CED initiative varies significantly from what CED advocates consider to be a CED initiative, there are at least four broad, but somewhat vague, similarities between both conceptions of CED. Firstly, both understandings of CED include it to have the objective of strengthening the local community; and both are concerned with increasing the amount of citizen control over the direction economic development should take within their backyards. Each conception expresses the desire for the removal of the 'heavy hand' of

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technical and financial resources of the provincial government for the would be or already established entrepreneur. Interviews with Kevin Mckee, Economic Development Officer in the CED branch of the Ministry of Regional and Economic Development, November 1990; Bonnie Plyzac, ex-EDO for the Nanaimo Regional District, December 1990; and Melinda Entwistle, current EDO for the City of Nanaimo, March 1991.

**184** Although the council members and the Mayor are usually paid a salary, they are not specifically paid, at least not with provincial funds, for sitting on a Economic Development Committee.

**185** In the case of the City of Nanaimo, British Columbia the EDO is under the direct control of the Mayor of the city. Interview with Melinda Entwistle, current Economic Development Officer for the City of Nanaimo, British Columbia, March 1991.

centrally-located government control within the realm of local and regional economic development. Finally, there is a desire for some form of decentralization on the part of the provincial government, which seems to coalesce, at first glance, with the idea of bottom-up solutions to socio-economic problems generally held by the mainstream theoreticians and practitioners of CED. Yet is this program really what those non-governmental CED practitioners and theoreticians would call a CED program?

What is understood by such ideas as local autonomy, local betterment, and decentralization differs not only between those in government but also among those CED activists outside of government. However, these differences in definition are not easily discerned. Therefore, the several differences between each broad perspective will be outlined.

The first difference centres on which types of business enterprises to target in order to develop the community's economy. Those in government focus on assisting the more traditional forms of business enterprise, such as small, medium and large-sized businesses.<sup>186</sup> Those outside of government, see the need for promoting aspects of the informal economy which include home-based businesses, barter systems of trade, alternative currency exchanges, worker cooperatives and not-for profit organizations such as Community Development Corporations

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<sup>186</sup> A small business can, according to the Ministry of Regional Development, be one employing less than 20 people, a medium one, 20 to 99, and a large one, 100 and over. See British Columbia, Ministry of Regional Development, Small Businesses in British Columbia 1979-1989: A Decade of Change, pp. 2-3.

(CDCs).<sup>187</sup>

The second difference, related to the first, involves the spatial or geographic target of CED initiatives. Those in government place emphasis on trying to attract outside investment to the community. For instance, much of the focus of the EDO and the EDC is on marketing their communities. In 1985, Bill Ritchie, then Minister of Municipal Affairs, responded in the Legislature to opposition criticism that the Provincial-Municipal Partnership Act was going to create inter-municipal competition for investment, arguing: "Competition built this great country, and competition is going to make it even stronger."<sup>188</sup> Hence, the British Columbia government's CED program is really intended to bring supply-side economics down to the community level through encouraging municipalities to attract outside investment.<sup>189</sup>

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<sup>187</sup> See Wes Shera, "Community-Based Economic Development" in Warren Magnusson et al., After Bennett: A new Politics for British Columbia (Vancouver: New Star Books, 1986), pp. 122-124. Also Ross and Usher describe the informal economy as follows: "If there is a common theme to all the variations of informal economy that have been identified (save the underground or black economy), it is that they are familiar economies. In them, the participants know one another or of one another. The informal economy is the economy of a small society, in contrast to that of a mass society. This means above all that the informal economy is organized in small economic units in which the objective of maximizing either profits or utilities does not and cannot exist apart from the goal of maintaining the mutual social bonds and obligations of the local society." David Ross and Peter Usher, From the Roots Up: Economic Development as if Community Mattered, p. 37. For a detailed discussion of the informal economy and how it differs from and works within the formal economy see *Ibid*, pp. 31-98.

<sup>188</sup> B.C. Hansard, April 27, 1985, p. 5874, (second reading of Bill 25 The Provincial-Municipal Partnership Act).

<sup>189</sup> As Shera points out, "[t]he provincial government while finally realizing the necessity of doing something at the municipal level, has

Those outside of government, on the other hand, place their emphasis on utilizing the existing resources - especially human - which their community has to offer. To search for outsiders to help the local economy is antithetical to the main theme of CED outlined earlier. Community control or autonomy is weakened and perhaps jeopardized when a community relies too heavily on outside economic actors to influence their economy. Moreover, 'smokestack chasing',<sup>190</sup> as it is sometimes called, is considered to be a game in which most communities, and hence people, lose.<sup>191</sup> Therefore, such outwardly-directed activities may result in the waste of time and effort, which could be better used to encourage local people in developing the existing informal and formal sectors of the local economy.

The third difference, related to the former two, is over what the mandate should be that is given to the municipal government, and hence,

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taken market capitalism to the local level rather than promoting broadly based economic development." Shera, p. 132.

190 'Smokestack chasing' refers to governments trying to find and entice 'footloose' businesses to locate in their community or country. These business are often large scale. Along with the province's COED and ESPG program came a Community Economic Development Manual, which has been consider by some to contain "... almost nothing to do with CED." ...[and expresses] a residual faith in smokestack chasing,...". SPARC News, December 1985, p. 20.

191 It has been argued that success with CED experienced in U.S. communities holds the potential to "... dispel a destructive myth in economic development - namely, that development has to be a zero-sum game in which one community or region can benefit only at the cost of another." Stewart E. Perry, The Community as Base for Regional Development (Ottawa: Economic Council of Canada, December 1989), p. 1.

the EDO and EDC. Unlike in the United Kingdom,<sup>192</sup> municipal governments cannot, under the B.C. Municipal Act, grant financial assistance in any form to private businesses.<sup>193</sup> Many CED advocates, outside of government, see the need for seed capital to be accessible - for those wanting to start a business - through a local lending agency such as a CDC.<sup>194</sup>

In sum, the alleged CED initiatives sponsored and controlled in part by the provincial government, do not fulfil the basic objectives of CED held by those advocates outside of government. Moreover, these initiatives through the COED and ESPG programs have not been carried far enough for the satisfaction of many CED advocates.<sup>195</sup>

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192 See Paul Lawless's study of the economic development efforts of the local council of the city of Sheffield, England. In particular, the Employment Department set up in 1981. Lawless, "Regeneration in Sheffield: From Radical Intervention to Partnership" in Dennis Judd and Michael Parkinson, pp. 133-151.

193 Section 292 of the Municipal Act, states that "The council shall not, directly or indirectly, assist an industrial or commercial undertaking, and without limiting this section's generality, shall not grant assistance by (a) giving or lending money or other security, or giving the use or ownership of any immovable; (b) guaranteeing borrowing; (c) granting an exemption from taxation; (d) granting as a gift property owned by the municipality". Municipal Act, Revised Statutes of British Columbia 1979, c. 290, s. 292.

194 Shera, p. 133; John Olsen (Manager of the Alberni-Clayquot Development Society), "Leakage and Community Venturing" in SPARC News, October 1988, p. 5; and Interview with Don McMillan, Manager of the NCEAS, January 1991.

195 Wes Shera, in an article evaluating the province's "CED" initiatives argues: "Economic development committees are to be drawn primarily from municipal governments and/or existing businesses. A community-based approach that involves all sectors of the community, distributes responsibility and control, seems to be precluded. The emphasis is on

### Conclusion:

For the most part, the provincial government has historically been primarily concerned with the sectoral needs of the economy while the spatial or regional needs have often been either of secondary concern or neglected altogether.<sup>196</sup> The government has shifted its economic development strategies over the years from concentrating mainly on supply-side initiatives - reducing cost to business through tax reduction, grants and loans, improving transportation, and developing cheap supplies of power - to incorporate some demand-side initiatives - venture capital

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attracting external investment and creating or expanding traditional business enterprises. No mention is made of non-profit organizations or other less formal types of economic activity. Thus the full potential of CED is untapped." Shera, pp. 132-133. Also David Ross, co-author of From the Roots Up: Economic Development As If Community Mattered, has also criticized the provincial government's COED and ESPG programs as being one-shot deals that do not go far enough. See Kevin Noel, "Comprehensive Strategy Urged for Community Economic Development" in BC Politics and Policy, Vol 1, No. 8, September 1987, p. 11. And finally, Darlene Mazari, and Bob Williams, NDP-MLAs also criticized the province's "CED" initiatives, arguing that they did not go far enough to provide the necessary seed capital for the informal economic enterprises. See B.C. Hansard, July 16, 1987, pp. 2613-2617.

196 Resnick summarizes W.A.C. "Bennett's economic strategy [as being] primarily one of leaving the province's resources wide open for large-scale capitalists, while simultaneously favouring the little businessman through government contracts...The consequences of the [W.A.C.] Bennett years were to be a superficially high level of prosperity, coupled with such symptoms of hinterland development as high regional unemployment, the relative absence of secondary industry or of diversification in the province's economic base, and the appropriation of much of the economic surplus from production of B.C. staples elsewhere". Philip Resnick, "The Political Economy of British Columbia: A Marxist Perspective" in Philip Resnick and Paul Knox, eds., p. 10.

programs, small business expansion assistance, research and development assistance, and searching out new markets for domestic business.

However, the provincial government has focused primarily on removing the impediments to private sector investment in the province and has not discriminated as to the location of that investment. The amount of direct assistance to indigenous businesses to adjust to meet new markets has paled in comparison to resources put into energy, transportation and tourism mega-projects.

Moreover, the government's concern for developing the regional economies of the province has been ad hoc and somewhat superficial. Most provincial assistance, outside of a regional industrial park strategy and joint federal-provincial programs has been in trying to make the regions more competitive in their efforts to attract business investment. RED in B.C. has not attempted in any comprehensive manner to develop a relative balance between the regional economies of B.C.<sup>197</sup> This is perhaps not that unusual a finding considering that over half of the province's population live in and around its two main cities: Vancouver and Victoria. Moreover, the provincial government has had more concern for province-building which has tended to have somewhat of a centralizing effect on the B.C. economy, where interior regions extract the resources and the financial and transportation centre of Vancouver provides the necessary development capital and reaps the resource

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<sup>197</sup> See Appendix A for a list of the unemployment figures by region. It is not difficult to notice that Region five, one which includes Vancouver and the lower mainland has had a consistently lower unemployment level for most years from 1975 to 1990.

profits.<sup>198</sup> Much of the regional development efforts outside of Vancouver and Victoria have been spurred on by federal cost sharing programs. The provincial government even went as far as to directly and indirectly counter these efforts by developing programs (SMAP and Discovery Parks) specifically designed to assist business in the lower mainland and capital region.

Within the context of provincial economic development and regional economic development, community economic development initiatives have almost been ignored. Where the provincial government has considered itself promoting CED, their efforts seem to be antithetical to the principles of CED discussed in chapter one. Even if these efforts were considered to be CED, they have not received a significant financial commitment from the government, nor have they resulted in a funding mechanism for CDCs.

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<sup>198</sup> This relationship between the financial centre of Vancouver and the rest of the province is characterized in less serve terms by Davis and Hutton, pp. 3-15.

**CHAPTER THREE**  
**LOCAL ECONOMIC DEVELOPMENT STRATEGIES:**  
**THE CASE OF NANAIMO**

Nanaimo was settled by non-Natives in the 1850s because of the discovery of coal by local Natives. Thirty years later the city became an important location for shipping to and from the Island because of a combination of the city's ideal location as end of the Island's E & N Railway and its all weather port.<sup>199</sup> However, coal continued to be the key to Nanaimo's existence well into the twentieth century. Several lengthy and violent coal miner's strikes during the late nineteenth and early twentieth centuries can perhaps be said to contribute to the working-class nature of much of the city's people.<sup>200</sup> Moreover, the city

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<sup>199</sup> The Esquimalt to Nanaimo Railway (E & N) was completed in 1886. The railway was originally privately owned by Robert Dunsmuir who was one of the key actors in establishing Nanaimo as a coal mining centre in the late nineteenth and early twentieth centuries. The land for the railway, a significant portion of Eastern Vancouver Island (2,000,000 acres) stretching from Nanaimo to Vancouver Island was granted, by the provincial government of the day, to Dunsmuir to build the E & N. See Henry Poikenen, "By Water, Road and Rail" in E. Blanche Norcross, ed., Nanaimo Retrospective: The First Century (Nanaimo: Nanaimo Historical Society, p. 76; Charles N. Forward, "Transportation" in Charles N. Forward, ed., Vancouver Island: Land of Contrasts (Victoria: University of Victoria, 1979), pp. 232-235; C.H. Howatson, "Mining" in Charles N. Forward, ed., Vancouver Island: Land of Contrasts, pp. 145-151; and S.W. Jackman, Vancouver Island (Devon: David and Charles Ltd., 1972), pp. 66 and 175.

<sup>200</sup> See Reginald Roy, "The Seaforths and the strikers: Nanaimo, August 1913" in B.C. Studies, No. 43, Autumn 1979, pp. 81-93; John Norris, "The Vancouver Island coal miners, 1912-1914: a study of an organizational strike" in B.C. Studies, No. 45, Spring 1980, pp. 56-72; and Jeremy Mouat, "Politics of Coal: A Study of the Wellington Miners' Strike of 1890-91" in B.C. Studies No. 77, Spring 1988, pp. 3-29.

has been, as has Vancouver Island, a stronghold for the provincial, and to some extent federal CCF/NDP (See Appendix C).<sup>201</sup> Although coal mining had reached its high point and its demise by the end of World War Two,<sup>202</sup> the basic drive of the Nanaimo economy has continued, although diminishing in importance, to be based on the extraction of primary resources.<sup>203</sup>

The combination of Nanaimo growing in importance as a transportation and shipping centre for Vancouver Island and the rapid growth of the local lumber industry in the 1950s and 1960s filled the economic gap left by the demise of the coal industry.<sup>204</sup> Also, B.C. Ferries built a major terminal at Nanaimo's Departure Bay after the war.<sup>205</sup> The Harmac pulpmill, the single largest employer in Nanaimo,

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201 Historian, S.W. Jackman, describes the political tradition or political culture of the Nanaimo area as being "liberal" as a result of its coal mining history. Jackman, p. 177. However, Blake notes that "[s]ocialism has been a visible alternative in provincial politics almost since the first miners from Great Britain reached the Vancouver Island coal fields over one hundred years ago." Blake, Two Political Worlds, p. 6.

202 Jackman, Vancouver Island, p. 177.

203 As one local historian explains: "There is still plenty of coal in the Nanaimo area but at the present cost of extracting it is too great and there is not the market for coal that existed a century ago." Nanaimo Museum Society, Nanaimo: The Story of a City (Nanaimo: Nanaimo and District Museum Society, 1983), p. 12.

204 Large lumber mills built by Crown Zellerbach and McMillan Bloedel in the Nanaimo area during the 1950s eventually squeezed out much of the previous smaller milling operations in the area. See Nanaimo Museum Society, p. 17 and 67.

205 Ferry service began between Nanaimo and Vancouver in 1931 and was expanded in 1948. John Durham, "The Developing Harbour" in Norcross, ed., Nanaimo Retrospective: The First Century, pp. 73-74.

was built after the war and is still in operation today.<sup>206</sup>

Although forestry related industries dominate the Nanaimo economy in terms of payroll,<sup>207</sup> retail trade and service related industries employ the largest numbers of people in the area (See Appendix 3B). Moreover, small enterprises have been growing in numbers since the 1981-82 recession. During the recession, some of those who were put out of work in near record numbers were forced to live on either social assistance or go into business themselves.<sup>208</sup>

At the beginning of the final decade of the twentieth century, Nanaimo faces, as do other British Columbian communities, another recession. It has been argued that the diversified economic base of Nanaimo will allow it to survive this recession without the severity of job loss and bankruptcy experienced in the last recession ten years

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206 As of February 1987, Harmac employed 1314 people, making it still the single largest employer in the Nanaimo area. See Richard Dunstan, "Harmac sits at the top of the World" in Nanaimo Daily Free Press (NDFP), March 4, 1987, p. 1. Also, Harmac and the other smaller pulp and paper mills help to make Nanaimo in the 1980s the busiest exporting port on Vancouver Island. See Taylor, p. 200.

207 Noel Watson and Lloyd I. Baron, describe Nanaimo's economic base as being driven by the forest sector. "The forest industries, including logging, sawmills, and pulp and paper, are the foundation of the economy and provide the most significant industrial payroll in the area. Other important components are commercial fishing, construction, non-forestry-related manufacturing, tourism, research, and agriculture. The largest number of jobs by sector are in the service industries and trade. As elsewhere, the wages in this sector are relatively low." Loan Funds for Small Business: Lessons for Canadian Policy Makers (A Case Study of Colville Investment Corporation, Nanaimo, British Columbia), p. 3.

208 Interview with Melinda Entwhistle, Economic Development Officer with the City of Nanaimo, March 1991.

before.<sup>209</sup> Our examination of the recent history of Nanaimo's economic development begins with the British Columbia Development Corporation's efforts to develop Duke Point Industrial Park.

### Duke Point Industrial Park Development

Of the three examples of public economic development strategies initiated in Nanaimo, the Duke Point Industrial Park has been by far the least successful. It presents a clear example of the failure of the provincial government to strengthen the industrial base outside of Vancouver and Victoria. Moreover, it reveals a philosophy towards economic development which is outdated and antithetical to the basic concept of CED. Before exploring the reasons for Duke Point's failure, a brief history of the project is in order.

Duke Point is an area located outside of the city, which was slated for a 350 acre industrial development by the province in 1977. Industrial park development at Duke Point was primarily carried out by the B.C. Development Corporation. However, in the initial stages of development the federal government and the Nanaimo Harbour Commission were involved along with the BCDC in constructing port facilities for Duke Point.

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<sup>209</sup> In 1981, Nanaimo was more susceptible to "[t]he boom/bust cycle typical of resource-based regions. ... As forest product prices fell, regional unemployment rates rose dramatically. ... However, there has been a substantial change in this last cycle. The local economy has not shown as much resiliency as it has in the past: while the forest products industry has recovered its profit margins, the modernization of local plants has cut deeply into employment." Noel Watson and Lloyd I. Baron, pp. 3-4.

Some controversy surrounded the initial purchase of a 67 acre piece of land by the BCDC from several private owners. The provincial opposition New Democrat Party, alleged there had been a government created windfall for the previous owners who had sold the land to the BCDC.<sup>210</sup> Despite such allegations, the local NDP MLA from Nanaimo, Dave Stupich, supported the original idea of an industrial park in Nanaimo.<sup>211</sup>

The types of industries targeted for Duke Point were ones involved in export-oriented forestry-related production which would require other than space, water, hydro, and port facilities designed for their operations.<sup>212</sup> The annual reports of the BCDC, predicted that Duke Point would create at least 1,600 permanent jobs at the site by the time the industrial park had been fully developed in 1988.<sup>213</sup> Although this prediction was a conservative one, less than ten percent of the predicted

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210 Barbara Wallace, NDP-MLA for Cowichan-Malahat criticized the government with regard to the purchase of land at Duke Point because the price of the 67 acre lot had doubled in the three months before the BCDC bought it. B.C. Hansard, May 4, 1978, pp. 1107-1108.

211 Dave Stupich argued that, although he and the people of Nanaimo had been initially excited about the project, nothing has yet to happen, in terms of private industrial development, at the site. B.C. Hansard, April 19, 1978, p. 588.

212 See Merv Unger, "There's no quick fix for Duke Point" in NDFP, April 16, 1986, p. 1. Also see British Columbia, BCDC: Fifth Annual Report 1979, and BCDC: Sixth Annual Report 1980.

213 British Columbia, BCDC: Sixth Annual Report 1980, p. 18.

1,600 jobs were ever created.<sup>214</sup>

The first major requirement in developing the proper facilities for an industrial development designed for export oriented activity was proper port facilities. The BCDC, along with the Nanaimo harbour Commission and Department of Regional Economic Expansion (DREE), financed and oversaw the construction of a 25 acre deep-sea loading terminal and lumber assembly area.<sup>215</sup> It was estimated in 1979 that the terminal alone would provide jobs for 50 people once completed.<sup>216</sup> However, a year later, the number of permanent jobs predicted fell to 20.<sup>217</sup>

While the port facilities were being constructed, the first firm to locate at the site began building a saw mill. The mill, owned by Herb Doman of Doman Industries, was to have employed 375 people once in operation.<sup>218</sup> As in the case of the port facilities, the actual number of

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214 Other government sources place the figure much high at approximately 3,000 potential jobs. See "Duke Point - Potential for Thousands of Jobs" in British Columbia, B.C. Economic Bulletin, Vol. 2, No. 2, June-July 1984, p. 2.

215 British Columbia, "Report of the President" in BCDC: Fourth Annual Report 1978, p. 3. The project was funded through the 1977-1982 Industrial Development Subsidiary Agreement, between the Ministry of Economic Development and DREE. This funding included a \$13,000,000 from the Industrial Parks and Sites component of the IDSA program. See Ernst and Whinney, Evaluation of the Industrial Development Subsidiary Agreement, March 1983, p. i, and table 4.1, p. 44c.

216 British Columbia, BCDC: Fifth Annual Report 1979, p. 15.

217 British Columbia, BCDC: Sixth Annual Report 1980, p. 15.

218 British Columbia, BCDC: Fifth Annual Report 1979, p. 15.

jobs predicted fell in later estimates to 160.219 Moreover, four years after the mill was completed, Doman Industries was only employing 120 people at the site.<sup>220</sup> In addition to the job creation over estimations for the Doman Mill, there was a degree of controversy over the connections between Herb Doman and the BCDC.<sup>221</sup>

**Table 3A: Media Visibility of Duke Point Industrial Park (1984-1987)**

**Part A: Articles where the Duke Point Industrial Park was the main subject of the article.**

Year	Number of Articles by Page Number			Total	No. of Lines by Page Number			
	1	3	Other		1	3	Other	Total
1984	5	1	1	7	289	32	154	475
1985	2	2	-	4	140	165	-	305
1986	6	2	-	8	438	206	-	644
1987	5	3	-	8	308	118	-	426
<b>Total</b>	<b>18</b>	<b>8</b>	<b>1</b>	<b>27</b>	<b>1175</b>	<b>521</b>	<b>154</b>	<b>1850</b>

<sup>219</sup> British Columbia, BCDC: Sixth Annual Report 1980, p. 18.

<sup>220</sup> British Columbia, BCDC: Tenth Annual Report 1984, p. 12.

<sup>221</sup> Herb Doman, President of Doman Industries, was also a director on the BCDC's board of directors. Doman as a BCDC director, and president of the company which owned the only mill at the Duke Point site, was a "juicy" target for members of the opposition New Democrats to call attention to in the Legislature. Allegations of a possible conflict of interest, in terms of possible preferential treatment given to Doman, because he was on the BCDC Board, were made by Frank Howard, NDP MLA for Skeena. See B.C. Hansard, April 17, 1980, pp. 2042-2043.

**Part B: Articles where the Duke Point Industrial Park was mentioned.**

Number of Articles by Page Number				
Year	1	3	Other	Total
1984	3	3	-	6
1985	1	3	-	4
1986	-	1	-	1
1987	6	3	-	9
<b>Total</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>20</b>

Source: All articles are from the Nanaimo Daily Free Press from January 1984 to December 1987).

Nonetheless, outside of a small storage facility for the assembling and shipping of cedar shakes built in 1986 employing only one person,<sup>222</sup> the Doman Mill was the only industry to locate at Duke Point. The Nanaimo Daily Free Press, spent a great deal of time covering the Duke Point development (see Table 3A). The local paper reported on the various trade and marketing strategies which never had any results, and the potential industries which might locate at the site, but for one reason or another never did. Why did Duke Point never develop to its full potential?

Several explanations, all interrelated, have been tabled to explain the underdevelopment of this industrial park. Mac MacCallum, the General Manager of the BCDC, blamed the City of Nanaimo's tax rate

<sup>222</sup> See Richard Dunstan, "Firm locates at Duke Point" in NDFP, December 17, 1986, p. 1.

as being too high<sup>223</sup> - although when MacCallum made these criticisms, the City Council was participating in the Provincial-Municipal Partnership program and along with the Ministry of Municipal Affairs was offering a 100% non-residential property tax reduction for new industries setting up shop in the municipality.<sup>224</sup> However, MacCallum argued that industries base their decisions on location with regard to local taxes on a long term basis. The Provincial-Municipal Partnership Agreement is scheduled to end in 1990, afterwards regular taxation will occur with Nanaimo having the highest municipal industrial property taxes in the province.<sup>225</sup>

Another criticism made against the BCDC was the timing of the project. Although there may have been a shortage of heavy industrial space in the world when the Duke Point project began, once the project was ready to service industries the recession had begun;<sup>226</sup> moreover, the shortage of land had disappeared because of similar thinking and actions occurring in other parts of the world. In terms of a lack of a demand for industrial space resulting in the early 1980s, other countries had done what the province was doing in the mid to late 1970s, by creating industrial parks to meet a perceived demand for industrial land by

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<sup>223</sup> See Merv Unger, "There's no quick fix for Duke Pt" in NDFP, April 16, 1986, p. 3; and Unger, "Tax Rate Hurting Duke Point" in NDFP, April 16, 1986, p. 3.

<sup>224</sup> Gus Thomson, "Nanaimo offers industry tax break" in NDFP, April 12, 1985, p. 1.

<sup>225</sup> See Merv Unger, "Tax Rate Hurting Duke Point" in NDFP, April 16, 1986, p. 3; and Merv Unger, "Nanaimo taxes pricing us out" in NDFP, February 5, 1987, p. 1.

<sup>226</sup> The project had be delayed, it has been argued, due to work stoppages caused by union strikes. See "Unions end six months' strike at Duke Point" in Vancouver Province, January 8, 1980, p. A1.

footloose industries. In addition, other countries, especially developing ones, were spending money (often borrowed) trying to develop their exports of raw materials during the same period. In the late 1970s the world resource markets were experiencing high prices for such things as forest related materials. Seeing these high prices many developing nations increased production trying to capitalize on the export of these resources. This increase in production, among other things, glutted the world resource markets, and thus the price fell for these resources.<sup>227</sup> Therefore, places like Duke Point suffered from a lack of demand for such industrial space for forestry related industries suffering from low prices for their products on world markets.<sup>228</sup>

A third factor is that Duke Point was not targeted to small to medium-scale industries. The Development Corporation focused on large scale capital intensive resource based industries which would need a

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<sup>227</sup> In 1985, Minister of Finance, Hugh Curtis, argued that in addition to high interest rates and protectionist policies of other nations, the changes in world commodity markets which have affected B.C. have been as follows: "[f]irst, there has been a large increase in the supply of natural resources to world markets as a result of the sharp increase in prices for these products during the 1970s. In particular, many less-developed countries have elected to increase sales of natural resources, in order to earn the foreign exchange needed to make payments on foreign debt. This has caused special problems for metal mines, not just in our province, but throughout the developed countries. Second among the changes taking place in the developed economies, there is a shift away from the heavy industries which have consumed large volumes of natural resources in the past. Although the growth of the service sector and the trend toward high-technology and communications industries should not be overstated, there is no question that changes are taking place, causing lower rates of growth in markets for many natural resource products." British Columbia, Budget 1985, p. 2.

<sup>228</sup> Interview with Dale Lovick and Jan Pullinger, October 1991.

large area in which to set up shop; therefore, they had divided the land into large and costly lots. Despite evidence to the contrary, BCDC general manager of industrial development said with regard to Duke Point that: "So far I can say price has not deterred anyone."<sup>229</sup> However, it was rumoured that a steel company, Budget Steel, chose land outside of Duke Point, but in the City of Nanaimo, because land was significantly cheaper. Budget Steel bought land for a price of \$8,000 per acre outside the park, rather than buying land at Duke Point for \$100,000 per acre. The general manager of industrial development for Duke point argued that this industry was not suited for the land use intended inside the park.<sup>230</sup> Although Budget Steel might not have located inside Duke Point industrial park had land been cheaper, another industry less than two years later cited price as being a major factor for avoiding Duke Point.

In this case, Duke Point, and the rest of Nanaimo, missed out on a \$500,000 wood preserving plant because "land prices were too high for [the owner's] small operation."<sup>231</sup> Moreover, the would-be owner of this plant told the City of Nanaimo's planning commission "that Duke Point was a 'white elephant'" and that his plant would have employed 40 to 50 people.<sup>232</sup> The fact that Mike Tait, the owner of the plant, was from nearby Gabriola Island and that he found the price of land too high demonstrates the difficulties such a land development has in helping out

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<sup>229</sup> Merv Unger, "Duke Point price not the problem" in NDFP, September 26, 1985, p. 1.

<sup>230</sup> Ibid, p. 1.

<sup>231</sup> Gus Thomson, "Duke Point Site Snubbed" in NDFP, March 31, 1987, p. 1.

<sup>232</sup> Ibid, p. 1.

local business people.

It seems the industrial park was not suited for the type of industry, usually small-scale operations, which might want to locate in Nanaimo. The size and price of the lots made the land unaffordable to most indigenous businesses and business people. Until recently, attempts to zone the land in a manner which would allow for smaller pieces of land to be sold and to have the Corporation drop the price of the land had been largely ignored.<sup>233</sup> The result of the Duke Point development was the creation of a few jobs at a high cost per job (see Table 3B).

**Table 3B: Cost per Job  
Created at Duke Point**

<u>Type of Jobs</u>	<u>No.</u>	<u>Cost per Job (Various Estimates)</u>			
		<u>(\$35m)</u>	<u>(\$55m)</u>	<u>(\$110m)</u>	<u>(\$305m)</u>
Permanent and Temporary	220	159,090	250,000	550,000	1,386,363
Permanent	120	291,666	458,333	916,666	2,772,727

Source: The first (\$35m) includes the provincial cost of the port facilities, the second (\$55m) provincial and federal costs of the port facilities, the third (\$110m) and fourth (\$305m) are total cost of the park and do not specify which government is providing what amount. However, in the two latter cases, if the figures are credible, then the provincial government would be paying the lion's share since the park's port facilities were all that was supposed to be funded under the IDSA. And the entire IDSA program for all of B.C. calls for a federal contribution of \$35 million. British Columbia, BCDC Annual Reports (1979, 1980, and 1981); \$110m industrial project favoured" in Vancouver Province, June 29, 1977, p. 9; and "Island Industrial Park Will Create 6,000 jobs" in Vancouver Sun, July 18, 1980, p. B12.

<sup>233</sup> In 1987, Nanaimo city council voted to reduce the minimum lot size at Duke Point from five acres to two acres. The original recommendation for the city's economic development committee was to reduce the minimum lot size to one acre. But council amended this suggestion. See "City shrinking Duke Point lots" in NDFP, July 28, 1987, p. 3.

Duke Point, was and still is - aside from the Vancouver Island highway expansion and the construction of the Departure Bay Ferry Terminal in the 1950s - the largest single attempt by the provincial government to stimulate the Nanaimo economy. And while the creation of the industrial park has been a failure, the B.C. Ferries Corporation has recently decided to move its terminal from Departure Bay to a larger location at the near vacant site.<sup>234</sup> Yet, other attempts by the province have occurred since the mid 1980s which are of particular interest to this study. These attempts have occurred through the municipal government and are those which the provincial government purports to be community economic development.

#### The Provincial Government's Conception of CED in Practise in Nanaimo

Throughout the 1970s and '80s, 'boosterism' flourished at Nanaimo's City Hall and Chamber of Commerce. Whether it has been Mayor Frank Ney's pursuit of shopping centres<sup>235</sup> or the Chamber's desire for a

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<sup>234</sup> Malcom Curtis, "\$63-million terminal shift at Nanaimo by early 1994, B.C. Ferry Corp. confirms" in Victoria Times-Colonist, July 11, 1991, p. A3.

<sup>235</sup> For details on Mayor Ney's exploits see Grant Anderson, "Nanaimo: Pirate in Office" in James Lorimer and Evelyn Ross, eds., The City Book: The Planning and Politics of Canada's Cities (Toronto: James Lorimer and Company, 1976), pp. 132-133; "Gloom-doom has no place in Nanaimo" in Victoria Colonist, May 1, 1979, p. 19; and "Nanaimo Mayor Ney biggest booster" in Vancouver Province, November 28, 1979, p. D10.

Nuclear Power Plant,<sup>236</sup> Nanaimo has been wide open for development.<sup>237</sup> Even the NDP, albeit in a different fashion, has participated in a hotel development through "the Nanaimo Commonwealth Holding Society, a co-[operative], non-profit offshoot of the local [NDP]."<sup>238</sup> However, by the mid 1980s, development had slowed significantly in Nanaimo. Affected by the 1981 recession and the over development of the previous decade (especially in retail space),<sup>239</sup> Nanaimo's City Council welcomed the provincial government's Provincial-Municipal Partnership program.

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236 The Nanaimo Chamber wanted to have a Nuclear Power Plant locate near the city. However, both the W.A.C. Bennett government and the Barrett government would not allow it. See "Nanaimo Chamber adamant: Nuclear Debate" in Vancouver Province, March 30, 1972, p. 29; and Al Forrest, "Nanaimo Businessmen Hoping for N-Plant" in Victoria Times, June 17, 1972, p. 9.

237 "Nanaimo shopping centres get \$35 million approval" in Vancouver Province, May 5, 1976, p. 44; "Nanaimo on building spree" in NDFP, April 28, 1980, p. 1; Donna Reimer, "Downtown Nanaimo: Major projects all spell dazzling goals" in Victoria Colonist, August 28, 1980; and "Nanaimo seeks more developers" in Victoria Times-Colonist, February 9, 1982, p. 3.

238 Bruce Mclean, "Nanaimo goes all out as B.C.'s Gung-ho City: Even political foes unite for development" in Vancouver Province, February 22, 1981, p. A8; also see Donna Reimer, p. 50.

239 With regards to the growing amount of shopping centre created retail space it was calculated "that a Nanaimo family of four will have to spend \$19,200 a year in the stores for everyone to avoid losses." Garry Fairbairn, "Nanaimo expected to boom but too many trying to cash in" in Vancouver Sun, March 24, 1980. p. D9; also see "Can Boom Town Stand the Bang?" in Victoria Times, May 1, 1979, p. 19; Marc Edge, "Retail boom good and bad news: Doubts expressed that Nanaimo can support shopping expansion" in Vancouver Province, November 28, 1979, p. D10.; and Malcom Turnbull, "Nanaimo shrinks, won't allow new subdivisions" in Vancouver Province, November 1, 1982, p. A5.

Before the 1985 Provincial-Municipal Partnership Program, the Regional District of Nanaimo (RDN), through funds provided by the provincial and federal government under the IDSA and funds provided by the RDN's member municipal governments, had set up an economic development committee and hired a economic development officer. The EDO, Anton Kuipers, "helped establish an economic development commission, identified unused industrial and commercial sites in the 800 square mile regional district, and solicited local opinion through questionnaires on planning matters."<sup>240</sup> When Kuipers left for 'greener pastures' and when the RDN was faced with the cancellation of funding for an EDO, the RDN hired Bonnie Plyzac to take over as an interim EDO. Plyzac continued where Kuipers left off, trying to market the RDN. She stated in an interview with a local newspaper, that "[y]ou have to know what you have before you sell it."<sup>241</sup> Thus, her role, along with the RDN's EDC was "to establish a data base of information for prospective investors. With that data base the district can then go out and market the area."<sup>242</sup>

Early in 1985, owing to the end of IDSA funding, the City of Nanaimo decided to set up its own economic development committee based on representation from various existing city government committees

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240 "Developing the Economy" in NDFP, September 7, 1984, p. 3.

241 Ibid, p. 3.

242 Ibid, p. 3. The RDN's EDC ordered a survey of public attitudes towards the strengths and weaknesses of the local economy. Interestingly, they did not hire a local company, but rather settled for a Vancouver Consulting Company to do the survey. See "Survey Studies Regional Economic Future" in NDFP, October 9, 1984, p.3.

and other organizations from inside and outside of government.<sup>243</sup> These included the Director of Planning for the City, representatives from the Chamber of Commerce, Malaspina College and the Nanaimo Harbour Commission.<sup>244</sup>

This economic development committee, eventually receiving partial funding through the Community Organizations for Economic Development (COED) program, was named the Business and Industrial Expansion (BIEX) committee.<sup>245</sup> The BIEX, not only took on the role of the previous of RDN's EDC but also the role of the City's former research and industrial development committee.<sup>246</sup> Its main role in the early stages of operations was to serve as a resource contact "for prospective developers."<sup>247</sup> The BIEX committee did not actually have a separate economic development officer until late 1986. Rather, the Director of City Planning and the Senior Planner performed the additional roles of EDOs.<sup>248</sup>

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243 Merv Unger, "Economic Development: A New Look" in NDFP, December 18, 1984, p. 1; and Klaus Meunter, "Economic Development: More Trouble for RDN Task" in NDFP, October 25, 1984.

244 See "Things looking different at the top in Nanaimo" in NDFP, March 26, 1987, p. 3; and "Economic strategy receives OK" in NDFP, August 13, 1985, p. 3.

245 The COED program was not implemented until approximately 6 months after the City of Nanaimo initiated the formation of the BIEX committee. See chapter two for more detail with regard to the parameters of the COED program.

246 City of Nanaimo, Annual Report 1985-1986, p. 21.

247 "BIEX gets busy" in NDFP, January 8, 1985, p. 3.

248 City of Nanaimo, p. 21.

Nanaimo's city council also welcomed the Provincial-Municipal Partnership tax reduction program, voting in favour of "a 100% tax relief to the City Taxation on improvements for any qualifying development."<sup>249</sup> The then Mayor of Nanaimo, Graeme Roberts, described these tax concessions as being "part of an aggressive attitude the city must take in attracting new industry."<sup>250</sup> However, the city did pursue an economic development strategy somewhat characteristic of demand-side strategies pursued by local authorities elsewhere.<sup>251</sup>

For example, in June 1985, Bill McKay, along with staff members of Malaspina College travelled to Spokane, Washington, to participate in a seminar on "business incubators." By late 1985, the City of Nanaimo, through the COED's Special Projects program, Nanaimo's Malaspina College, and through funding from the provincial Ministry of Education's B.C. Excellence in Education fund, set up the Nanaimo Enterprise Development Centre (NEDC).<sup>252</sup> Far from being a business development corporation, as seen in other countries,<sup>253</sup> the NEDC, located at

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<sup>249</sup> Ibid, p. 21.

<sup>250</sup> Gus Thomson, "Nanaimo offers industry tax break" in NDFP, April 2, 1985, p. 1.

<sup>251</sup> See Peter K. Eisinger, The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States; and Dennis Judd and Michael Parkinson, eds., Leadership and Urban Regeneration: Cities in North America.

<sup>252</sup> City of Nanaimo, p. 21; see also, "Development centre promoting business" in NDFP, March 13, 1986, p. 3.

<sup>253</sup> As early as the mid 1950s, the French city of Rennes had developed - with the support of the central government - a lending institution which would provide "...long-term loans, with cheap interest rates, and investment for local and regional firms." See Patrick Le Gales, "Economic Regeneration in Rennes Local Social Dynamics and State

Malaspina College, did not lend money to businesses, but rather assisted a potential small business, by helping them along with start-up services. Services which were provided included business advice, low-cost secretarial services, and low-cost office space where possible at the College.<sup>254</sup> These services were designed to only be temporary until the business could get off the ground. The NEDC is linked with the NCEAS, the local Federal Business Development Bank, local Canada Employment and Immigration Centre, the Greater Nanaimo Chamber of Commerce and the Nanaimo District Savings Credit Union. These links are coordinated in the form of a "working group" to help provide potential new businesses with financial and technical resource contacts.<sup>255</sup>

Late in 1986, the City of Nanaimo hired Ted Mason for the sole function of EDO for Nanaimo. Mason's duties were as follows: "finding target markets for locally produced goods, job and business creation, and working with existing business to help solve problems standing in the way of development."<sup>256</sup> Shortly after Mason began his duties, word of another potential Duke Point tenant, the Wooding Corporation of New

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Support" in Dennis Judd and Michael Parkinson, eds, p. 72; also the British city of Sheffield, in 1981, created an Employment Department, which, among other things, "... provide[d] financial assistance to enterprises". Lawless, in *ibid*, p. 140.

<sup>254</sup> Lynn Welburn, "Development Centre co-operator seeks input from city business" in NDFP, August 10, 1985, p. 3; also see "Development Centre promoting business" in NDFP, March 13, 1986, p. 3.

<sup>255</sup> "Business Centre has plenty to do" in NDFP, November 27, 1985, p. 3.

<sup>256</sup> "Economic development officer sought" in NDFP, July 16, 1986, p. 1.

Jersey, had made its way into the local Nanaimo paper.<sup>257</sup> The company eventually decided to locate its \$24 million metal processing plant in Oregon but stated that there was the potential for the latter phase of its operation to locate in Nanaimo. The latter phase was the Ferrochromium plant which is of late having trouble finding a place to set up shop on Vancouver Island. The plant was rejected by Nanaimo, due to the environmental concerns of the citizens, as it had been by Bamberton months earlier and over a year later by the residents of Port Hardy.<sup>258</sup>

The ferrochromium plant had been attracted to the Island by a provincial government offer of a 4.875 million dollar loan.<sup>259</sup> The announcement of the loan by the Premier and the Minister of Regional Development came in February 1989, just a month after the Premier spoke to the Victoria Chamber of Commerce, stating: "There has been an unfortunate tendency in other provinces to get into a bidding war to try to entice new developments by offering fat incentives with taxpayers' dollars".<sup>260</sup>

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257 See "Plant Spurns Duke Point" in NDFP, May 26, 1987, p. 1.

258 There is the possibility of additional provincial government subsidies to the Ferrochromium smelter totalling over \$16 million in the form of reduced B.C. Hydro rates. See Richard Watts, "Power discount for chrome plant could total tens of millions of dollars says critical panel" in Victoria Times-Colonist, February 2, 1991, p. A3.

259 Order in Council 1931/1988 provides for a loan under the Industrial Development Incentive program to Sherwood Pacific not exceeding \$4.875 million. Moreover, the companies has also qualified for a Industrial Electricity Rate Discount. See Order in Council 1382/1988.

260 "Government Money" in B.C. Politics and Policy, Vol. 3, No. 2, March 1989, p. 5.

Despite the free enterprise rhetoric, the EDO in Nanaimo had been involved in trying to bring the plant to Duke Point. As previously stated, the EDO's job includes trying to market the virtues of his or her assigned community to potential, especially foreign, investors. The response of Nanaimo's citizens to the plant demonstrates the relative lack of touch with the local community and the local economy displayed by the EDO at the time. Moreover, both the Wooding Corporation's engineer, Jay Wooding, and the then Minister of Forests, Dave Parker, also displayed their lack of respect for the actions of local citizens. Wooding stated with reference to the opposition of the plant that

'It's all agitators from Gabriola Island, which has about 2,000 people on it, most of them living on welfare and having nothing better to do'; [and Parker added:] 'The world movement under the guise of environmentalism is basically a preservationist movement geared towards upsetting stable economies to change the social order'.<sup>261</sup>

The plant would have likely created over a hundred jobs but could have displaced the nearby salmonid enhancement efforts in the process. Duke Point is located next to the Cumberland channel which is the opening to some of the prime salmon spawning grounds in the Nanaimo area.<sup>262</sup> In addition to the dangers of air and water pollution, the plant might have had the effect of reducing jobs which rely on the indigenous

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<sup>261</sup> "Nanaimo's democratic second thoughts", ed., in Victoria Times Colonist, p. A4.

<sup>262</sup> Dale Lovick and Jan Pullinger, NDP-MLAs for the Nanaimo-Ladysmith Area, and Joy Leach, Mayor of Nanaimo, are highly critical of the environmental ramifications on natural-renewable fish resources such a plant would have had.

and renewable local resource of fishing.

The provincial government through the city's EDO and other government officials have not solely focused on attracting outside investment of this type to Nanaimo. They are, however, far from rejecting the notions of 'big is best' and are far from accepting the notion of 'small is beautiful'. Thus, the provincial government is far from accepting the main principles of CED - principles which are embodied in the operations of community development corporations like the NCEAS.

#### The Nanaimo Community Employment Advisory Society and Colville Investment Corporation

While Duke Point failed and city council put their faith in shopping centres, an alternative strategy for economic development was taking shape. This is the story of the Nanaimo Community Employment Advisory Society and its wholly owned Colville Investment Corporation.

The NCEAS arose out of one of two test cases for the Community Employment Strategy (CES) in 1975.<sup>263</sup> The NCEAS began as a non-profit society with the goal of finding long-term employment creation solutions in Regional District of Nanaimo. In the beginning the NCEAS took advantage of CES funds as well as other Manpower funds to study the problems of their local economy and of those who have ongoing difficulties in finding employment. Members of the NCEAS worked with local officials responsible for the delivery of federal Unemployment

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<sup>263</sup> See chapter one for more details on the CES and other federal programs.

Insurance and provincial Social Assistance (Welfare) benefits, tracking members of the community through their employment history to try to determine the cause of their malaise.<sup>264</sup>

Another significant study conducted by the NCEAS, focused on the potential for import replacement. This involved researching where the foreign production of goods and services purchased by businesses and individuals in the community could perhaps be produced locally and thus purchased in the community rather than from outside the local economy. Moreover, the study focused on finding out where community business leaders and citizens stood on the issue of import replacement. Although many were interested, some people, especially business leaders found it not to be financially prudent to purchase goods produced in the community. Economies of scale being what they are in the production of a good or service, local manufacturers were unable to produce a good as cheaply as other producers operating on a much larger scale outside of Nanaimo. Thus, the local capitalist defined his or her return on investment in strictly economic terms.

Therefore, a goal of the NCEAS was to try to redefine the meaning of 'return' to include not just economic factors but also social returns for the community. Furthermore, the NCEAS posed the question of whether or not Nanaimoites would be interested in import replacement if financial and technical assistance was made available for individuals to start up production in goods which could be produced locally and services which could be delivered locally. The response from the general public was good and the NCEAS identified several areas where leaks in

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<sup>264</sup> Interview with the General Manager of the NCEAS, Don McMillan, January 1991.

the local economy could be plugged.

While in the process of doing these studies the NCEAS helped coordinate federal and provincial make-work programs in the area. These programs focused on the forestry and fishery sectors. Although some of this funding eventually resulted in something more than make-work projects, the NCEAS staff came to the conclusion that simple make work projects - if measured in terms of economic and social benefits to the community - were a poor use of funds.<sup>265</sup> The general manager of the NCEAS, Don McMillan, described some of these projects as resulting in the annual painting of park benches. McMillan's criticism was not that painting park benches was unnecessary but that it was something which did not result in real work for a significant part of the unemployed labour force. People employed in this type of work tend to loose interest and perhaps see it as a form of welfare rather than meaningful employment.<sup>266</sup> Thus, "[t]he NCEAS uses existing government resources to promote long-term employment opportunities which, in turn, will benefit the community as a whole."<sup>267</sup>

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265 Interview with Don McMillan. Also "[t]he NCEAS view employment development to be more than sponsoring a host of short-term, make-work projects that usually surface during periods of severe unemployment." Nanaimo Community Employment Advisory Society, NCEAS Annual Report 1986-87, p. 4.

266 Interview McMillan.

267 Nanaimo Community Employment Advisory Society, NCEAS Annual Report 1986/87, p. 4. Periodically they were also able to access monies, usually in the form of wage subsidies for welfare recipients, from the provincial government's Ministries of Labour and Social Services. Once again, it is important to note that the provincial government does not provide funding, nor ever has, for the main CED activity of the NCEAS, that being the lending of money to enterprises in the Nanaimo area through the CIC. The monies which have been provided by the provincial

The main development project of the Society since 1978 has been the Nanaimo River Salmonoid Enhancement Project (NRSEP). This project has been considered an overwhelming success, by both government and the NCEAS itself, with its enormous contribution to the Salmon stocks on the east coast of Vancouver Island.<sup>268</sup> Although the direct benefits of the NCEAS to the commercial and sports fisheries in the area cannot be accurately quantified, one can determine the numbers of salmon fry and smolts released into the lakes, rivers and streams in the Nanaimo area. In 1986, the NRSEP released 367,000 Coho fry, 350,000 Chum and 370,000 Chinook smolt into the rivers, stream and lakes in the area.<sup>269</sup>

Although the Federal Department of Fisheries and Oceans is the main source of funding for the NRSEP,<sup>270</sup> other government and private

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government have come usually in the form of wage subsidization for the hiring of students during summer breaks and for the hiring of welfare recipients. Also provincial monies came in the form of make work projects that the NCEAS accessed. See British Columbia, Ministry of Finance, Public Accounts 1976/77 to 1982/83, Lists of payments to private firms, organizations, for services rendered. Interviews with Don McMillan, General Manager of the NCEAS and CIC, Dale Lovick and Jan Pullinger NDP-MLAs for Nanaimo-Ladysmith Area, Bonnie Plyzac, ex-EDO for the Regional District of Nanaimo, and presently part of the North Shore Economic Development Committee, Kevin McKee, EDO at the CED branch of the Ministry of Regional and Economic Development, and Ian Back, Senior Business Development Officer at the Ministry of Regional and Economic Development.

268 See Lynn Welburn, "Preston defends fisheries program" in NDFP, May 7, 1986, p. 1. Also "Funding reports pleases Preston" in NDFP, January 22, 1986, p. 3.

269 NCEAS, Annual Report 1986-87, p. 4.

270 NCEAS, Annual Report 1989-90, p. 8.

sector organizations have assisted the project, as well. The Pacific Biological Station helps the SEP's staff in evaluating the success rate of the Salmon fry and smolts as well as providing scientific information. McMillan Bloedel's Harmac staff have assisted in the installation of a pump for a well and have also provided a water supply to the hatchery.<sup>271</sup>

The Canada Employment and Immigration Commission (CEIC) funds, via several of its job creation programs, many of the development projects of the NCEAS. In the Society's 1986-1987 operating year, examples of federal government monies used for projects occur in the areas of aquaculture and silviculture. The federal-provincial Challenge program, which annually subsidizes the wages of post secondary students during the summer, assisted in employing students to maintain hatchery projects.<sup>272</sup> Other projects were the Nanaimo Aquaculture Project and a related Section 38 project designed in constructing hatchery facilities and in the former case the necessary training.<sup>273</sup> Finally, in 1986-87, and in subsequent years, there has been silviculture training projects.

One example of a silviculture project, was when the NCEAS secured a \$159,045 grant from the CEIC to train 11 people - who had been unemployed for a long time - for 32 weeks in the techniques of silviculture: "planting, spacing, brushing and weeding."<sup>274</sup> Furthermore, this and other projects are "unique" because of private sector involvement

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271 NCEAS, Annual Report 1986-87, p. 4.

272 Ibid, p. 4.

273 Ibid, pp. 4-5.

274 NCEAS, Annual Report 1986-87, p. 5.

where in the case of the silviculture training project "work [was] taking place on B.C. Forest Products' land, [and] BCFP [had] made a further cash contribution to the project of \$22,500 and provide[d] on-site supervision."<sup>275</sup>

The NCEAS's non-profit activities have grown over the years benefitting the local economy and local environment<sup>276</sup>. However, these non-profit activities of the NCEAS in the realm of aquaculture and silviculture have had a smaller effect in job creation than the for-profit activities of their subsidiary: Colville Investment Corporation,<sup>277</sup> which began operations in 1980, but arose out of the ashes of the CES program in 1978.

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<sup>275</sup> Ibid, p. 5. Recently Texada Logging provided \$18,600 to help out on a NCEAS reforestation project. See NCEAS, Annual Report 1989-90, p. 8.

<sup>276</sup> The Society's non-profit activities have had the most affect in reducing unemployment since April 1983. Before this period they had been involved primarily in research as well as the coordination of a few employment projects. From 1975 to April 1983 the Society's non-profit arm had created 50 full-time jobs in the Nanaimo area; by March 31, 1986, however, they had created a total of 116 full time and 22 part-time jobs in the community. Compiled from NCEAS, NCEAS/CIC Loans, Leverage Ratios and Employment Impact Reporting and Loan Transaction Summary (1985/86).

<sup>277</sup> The NCEAS, "[f]or purposes of definition, ... defines non-profit activities as creating local employment opportunities which utilize federal or provincial funds that are used in such a manner as to promote long-term economic spin-offs for the community, as an example, Salmonoid Enhancement, reforestation and related activities. Profit making activities are defined as the Society's employment development activities that promote entrepreneurial growth which results in long term employment opportunities for local residents. These profit making activities also provide a source of investment capital for future economic/entrepreneurial development activities." NCEAS, A Harbour City: Community Development Initiative, p. 1.

In the fall of 1978, the federal government cancelled funding to CES-sponsored projects throughout Canada.<sup>278</sup> Only a handful of the most successful projects, which included the NCEAS, would receive a financial grant to assist them until further arrangements could be made. The NCEAS in 1979, after some discussion with the federal government over what was needed in Nanaimo in terms economic development, received a \$500,000 grant from the Department of Employment and Immigration.<sup>279</sup> With the money came the loose guidelines, that it be used to carry out two objectives: "1) develop private sector employment through the provision of technical and/or financial assistance to new or existing businesses; and 2) become self-sustaining as a community-based organization."<sup>280</sup> Thus, in 1980, the NCEAS created the Colville Investment Corporation (CIC) to carry out these two objectives outlined above.

The CIC is a 100% owned subsidiary of the NCEAS, of which no member of either entity, the CIC or NCEAS, can receive a profit. Colville acts as a lender of last resort for small high-risk enterprises within the Regional District of Nanaimo. It provides loans at market-interest rates as well as free technical and business advice to those wishing to start up a business or expand an existing business in the Nanaimo area. The CIC "also provide[s] loans to commercialize the

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278 The cancellation of the program was "... part of its expenditure restraint program." Canada, Department of Employment and Immigration, Annual Report 1978-1979, p. 18.

279 McMillan described the conditions attached to the \$500,000 federal government grant as being almost non-existent. Interview with McMillan.

280 Noel and Watson, p. 6.

successful spin-offs of the NCEAS' non-profit enterprise, such as the Salmonoid Enhancement Project and reforestation."<sup>281</sup> All interest-income earned by the CIC is ploughed back in to its loan portfolio, with the hope of increasing the size of its lending abilities and achieving self-sufficiency through covering its administrative costs.<sup>282</sup>

The people who receive money from the Colville Investment Corporation (CIC) have to fit the guidelines of the NCEAS: first, that they are or will be located in the Nanaimo area and second, that they create employment for the local population. In consideration of their goals of import replacement, the CIC attempts to loan money to people who would not create businesses which would squeeze out others in terms of redundancy of production of a good or a service. For example, they are weary of lending money to people who want to create another gas station when there were already enough gas stations in Nanaimo.<sup>283</sup>

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<sup>281</sup> Watson and Baron, p. 8.

<sup>282</sup> Watson and Baron, point out in their study of the CIC and the NCEAS that although the organization has not been able to achieve its second objective of self-sufficiency, it may not be desirable that it try to do so at the risk of becoming more like a traditional lending institution. They conclude that "[a] cost-benefit analysis reveals that CIC's net benefits to the community are positive. However, it also appears that the goal of self-sufficiency for the corporation is in direct conflict with its role of accessing venture capital for the benefit of the community. Were CIC forced to become self-sufficient, it might behave more like a traditional commercial lender; it might, for example, start to make a relatively small number of large loans to established businesses, rather than a large number of much smaller loans to newer, high-risk enterprises. Such a shift would not be in the community's interest." pp. i-ii.

<sup>283</sup> Interview with McMillan.

After the first grant had been received, the CIC received funding from Local Employment and Development Assistance (LEDA) program, followed by the Local Employment Assistance and Development (LEAD) program, and since 1987-88, the CIC has been funded in part through the Community Futures' Business Development Centre Option. The CIC has essentially carried on in a similar manner to when it was funded through the LEAD program. For the CIC, the BDC option has provided \$182,900 over the last year (April 1, 1989 to March 31, 1990). The BDC funding accounted for 21.9% of the CIC's investment through loans to local small businesses. CIC, however, has to use the BDC funds, as much as possible, in accordance with the "sectoral and development priorities" of the Central Island Community Futures Committee (CICFC).<sup>284</sup>

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<sup>284</sup> NCEAS, The NCEAS Annual Report 1989-90, p. 5. The CICFC serves as a financial resource contact point between the NCEAS and the federal government. It also "...is charged with the responsibility for long-range economic planning and employment planning for the area." Ibid, p. 2. The sectoral priorities of the CICFC are: "New businesses that promote tourism, the retirement industry, waterfront development and environmental initiatives. ... Other types of new businesses will also be given consideration based on viability, employment growth potential and economic and social benefits to the ... area." CICFC, Self-Employment Incentive Option, p. 2.

**Table 3C: Colville's Cost per Job created  
Cost per Job (143 jobs) 1989-1990**

<b>1. Total Cost/Job</b>		<b>2. Gross Cost/Job</b>	
CIC Investment	\$ 832,360	CIC Investment	\$ 832,360
Leverage from other sources	1,889,760	Administration	178,498
Administration	178,498	Total	1,010,858
Total	2,900,618	Gross Cost/Job	7,068
Total Cost/Job	20,284		
<b>3. Net Cost/Job</b>		<b>4. Investment Cost/Job</b>	
Administration	\$ 178,498	Investment	\$ 832,360
Net Cost/Job	1,248	Investment Cost/Job	5,820

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Source: NCEAS, Application to Community Futures Program for Business Development Centre Funding 1990/91, pp. 10-11.

Through Colville, the Society has managed to create a vehicle to help the local people and the local economy as a whole to become more self sufficient and autonomous. Colville's actions have "resulted in an assortment of enterprises which otherwise may never have commenced or continued operations."<sup>285</sup> Over the ten years the CIC has been in existence it has helped over 200 businesses start-up and/or expand and estimates that it has created over a 1000 jobs in the community.<sup>286</sup> The cost per job in public funds has been much less than in most conventional economic development strategies (Compare Table 3C to Table 3B). It is this kind of the operation which makes the NCEAS a true CDC and makes the organization unique in relation to other non-profit

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<sup>285</sup> NCEAS, Annual Report 1986-87, p. 8.

<sup>286</sup> Interview with Don McMillan,; see also NCEAS, Annual Report 1988-89, p. 7.

societies. For although the NCEAS is a non-profit society, in that no NCEAS director receives profits or dividends, it makes a profit by way of the interest it receives on its loan portfolio in order to increase its lending abilities; and by increasing its lending abilities, it increases the effect it has on the community and moreover, helps it move closer to realizing its other goal: for the entire NCEAS operation (including the CIC) to become self-sufficient.

In 1987, when the NCEAS applied to the local delivery organization of the program, the CICFC, for funding assistance for Colville it also applied and received funding under the Self Employment Incentive Option (SEIO). The SEIO is attended to help those people who were qualified to receive federal UI funds or received provincial social assistance funds "to encourage unemployed people to create their own job starting a business."<sup>287</sup>

The NCEAS administers the SEIO in the Regional District of Nanaimo (RDN) and Ladysmith. Those who qualify for the program, can have their UI or Social Assistance (B.C. Provincial Guaranteed Annual Income) replaced by a payment of \$200 a week for a year if they met the following conditions: live in the RDN or Ladysmith, will match at least 25% of the total SEIO contribution in their business venture, operate in the RDN or Ladysmith area, commit their full-time attention to their business for a year, demonstrate that they did not start the business before receiving the SEIO funding, demonstrate that they have a business plan and that the business fits in with the "CICFC priorities and

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<sup>287</sup> Ibid, p. 6.

guidelines".<sup>288</sup>

Although only 48 applicants can qualify per year, response in the community to the program has been, according to Don McMillan, overwhelming.<sup>289</sup> The program has received, on average, a larger proportion of the individual investment required in relation to SEIO funding. For example in 1989, "a total of \$499,200 was provided in the form of federal grants and an additional \$324,620 was furnished by the applicants."<sup>290</sup> The percentage of the investment by the applicants was 65% of the federal contribution, much larger than the 25% minimum requirement of the program. Moreover, "[p]rojected first-year revenues were \$1.5 million."<sup>291</sup>

The NCEAS has a fairly complex operating structure (See Table 3D) as well as extensive connections to the local community. It includes the use of standing and ad hoc committees as well as boards of directors for both wings of the operation. There are standing committees for the Nanaimo River Salmonoid Enhancement Project and Silviculture projects as well as committees concerned with various aspects of Colville's financial activities. Furthermore, the entire operation is connected to the

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288 CICFC priorities are: "New businesses that promote tourism, the retirement industry, waterfront development and environmental initiatives .... Other types of new businesses will also be given consideration based on viability, employment growth potential and economic and social benefits to the .... area." Central Island Community Futures Committee, Self-Employment Incentive Option (Information Pamphlet put out by the CICFC), p. 2.

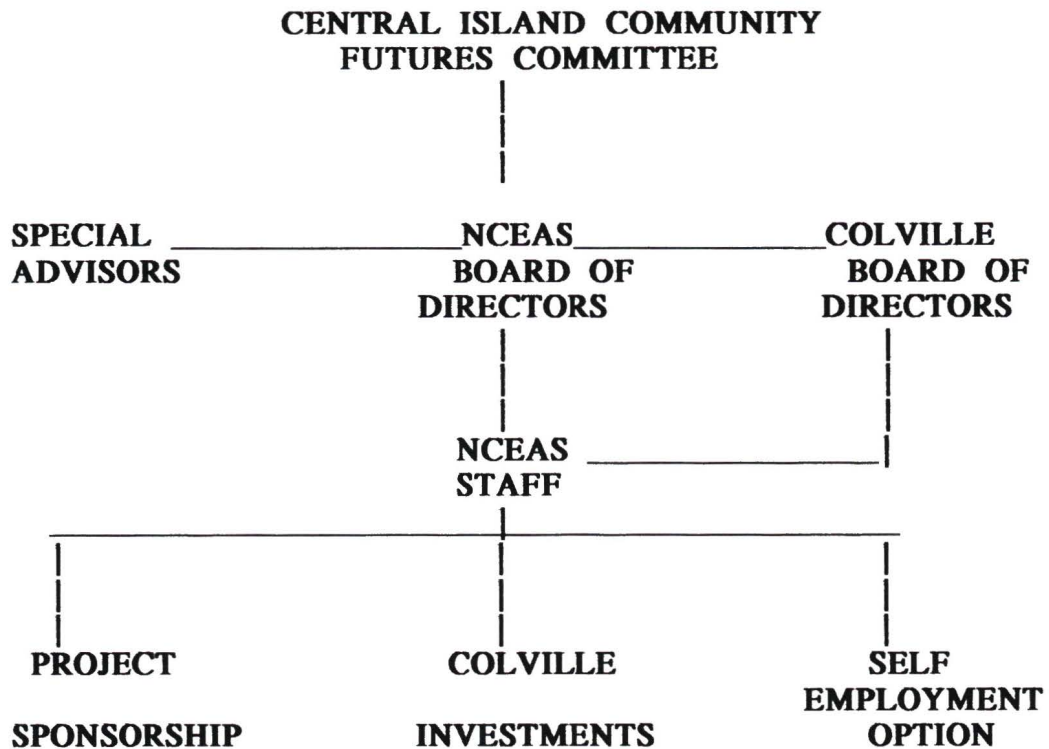
289 Interview with McMillan.

290 NCEAS, NCEAS Annual Report 1989-90, p. 6.

291 Ibid, p. 6.

CICFC.

**Table 3D: The NCEAS  
Organizational Structure**




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Source: NCEAS, Annual Report 1988-89, p 3.

The NCEAS's staff and board members have connections with other organizations and groups in the community. They "participate with a number of community groups who are involved in a variety of local economic development activities. [For example] ... the NCEAS chairperson is a member of the City of Nanaimo, Economic Development Committee, .... NCEAS is also a member of the CICFC Alliance group

and the Nanaimo Chamber of Commerce."<sup>292</sup> In fact, the NCEAS constitution requires the NCEAS to have on their own board of directors, people who are representative of several groups in the community (See Appendix F).<sup>293</sup>

The NCEAS has also taken on an informal role of educating others inside and outside the community of their objectives and operations. The Society's General Manager, Don McMillan, gave a presentation at a workshop, put on by the Provincial Government, called "Business Opportunities at Your Doorstep". The Society's Business Analyst, Wanda Cushman, spoke on "Women and Home-Based Businesses" put on by the Multi-Cultural Society of Nanaimo. In addition to these recent examples of information sharing in the Nanaimo area, Don McMillan, spoke in Phoenix, Arizona, at the National Congress for Community Economic Development's 20th Annual Conference.<sup>294</sup>

In sum, the NCEAS, through both wings of their operations, have embraced the basic tenets of community economic development (outlined in chapter one). They only provide financial and technical assistance to those businesses and individuals residing in Nanaimo. Their goals are

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<sup>292</sup> NCEAS, Application to Community Futures Program for Business Development Centre Funding 1990/91, p. 14, section 9.14.

<sup>293</sup> The Board of Directors of the NCEAS, according to By-law 3.4.2 section 1. A. of their operating manual, must consist of "the following classes of members: (a) members representing the public sector; (b) ... business sector; (c) ... labour sector; (d) ... private interest groups; (e) ... no particular sector or interest group. [And] B. ... at no time shall the number in any class of members exceed 1/3 of the total number of members." NCEAS, Operating Manual, November 1984, pp. 11-12.

<sup>294</sup> Ibid, p. 14, section 9.4.

very much in compliance to the CED ideals of greater citizen participation in the shape of economic development in the community,<sup>295</sup> supporting small-scale local (environment friendly) economic initiatives rather than large-scale, centrally planned projects. Moreover, they are concerned with helping the existing businesses and people of Nanaimo to help themselves.<sup>296</sup> In providing people with meaningful jobs, the NCEAS aims to develop the community not only economically but also socially.<sup>297</sup>

They are critical of the general philosophy behind economic development strategies of the past; and they hold out the belief that "employment planners" in general are moving away from the past strategies involving "the use of various incentives to attract private investment or [attempts] to influence decisions in respect to the location of large government funded projects and public facilities."<sup>298</sup> The NCEAS views community economic development as a "process of 'self-actualization'", which involves allowing local decision-makers, with "the use of local resources", attempting to find solutions to their own employment problems.<sup>299</sup>

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295 For instance, they focus on assisting worker co-operative and woman entrepreneurs. See CICFC, Community Employment and Economic Profile, p. 36, table 19.

296 Interview with Don McMillan.

297 Ibid.

298 NCEAS, Annual Report 1986-87, p. 12. This belief seems to have come to fruition at the local level in Nanaimo with the election of Mayor Joy Leach.

299 Ibid, p. 12.

Their feelings towards economic development and the need for community control can perhaps be best summarized in the following passage from the NCEAS Annual Report 1986-1987.

Considering both the secular changes in popular attitudes and the structural changes within the economy, directors of the NCEAS feel that local initiatives aimed at mobilizing local resources are likely to prove most successful in relieving the kinds of unemployment problems that are particular to any community. The basic premise is rather than bureaucrats working out of distant offices, albeit for the betterment of their constituents, locally based community groups having a broad representation are in a better position to identify local needs, local resources and the best ways to utilize those resources to satisfy those needs. In an attempt to bring about this type of development the NCEAS, since 1980, has taken an aggressive role in promoting the concept and actively participated in CED.300

Nanaimo: 1990 to the present:

Late in 1990 a change in direction of municipal politics occurred in Nanaimo with the election of Joy Leach as Mayor and the defeat of longstanding Mayor Frank Ney. With Joy Leach also came a new EDO, Melinda Entwhistle. Leach and Entwhistle brought with them a new perspective to economic development - one stressing demand-side economics and inter-municipal cooperation - to City Hall.

Mayor Joy Leach and EDO Melinda Entwhistle both believe that the old approaches to promoting the city had been somewhat misguided. They are more concerned with trying to assist existing local businesses

rather than "smoke-stack" and "condo" chase as in the past. Mayor Leach points out that she does not want to pass up an environmentally-friendly industry wishing to locate in Nanaimo. However, Leach is sceptical of the potential for success - considering past experiences with Duke Point and the Ferrochromium Plant - in attracting large industries which are environmentally sensitive to the community. Additionally, condominium developments are welcomed but both Leach and Entwhistle felt the role of the EDO and the EDC should not be focused on residential developments. Such developments will come as a side effect of making Nanaimo a nice place to live and by stimulating the economy to provide employment and business opportunities for those already living here and those wishing to relocate to Nanaimo. Thus, tourism development is important to Entwhistle, more so in terms of long term benefits than the short term dollars spent of visitors passing through Nanaimo; if people visit Nanaimo on a vacation they may want to move out here and bring their businesses and talents here to the city.<sup>301</sup>

Another change in philosophy is that of inter-municipal cooperation in economic development of the Island as a whole. Instead of fighting over which community should receive an industry the municipalities are pooling their resources and their efforts in seeking out business developments. Entwhistle noted that in the past at trade fairs each municipality would sponsor a small booth. These booths were lost in the sea of other booths and thus were not very visible at a trade show. Today, individual municipalities taking part in the Vancouver Island Economic Development Association (VIDEA), have cooperated in setting

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<sup>301</sup> Interviews with Mayor of Nanaimo, Joy Leach and the EDO for the City of Nanaimo, Melinda Entwhistle, March 1991.

up one large booth at recent Aquaculture Trade Show.<sup>302</sup> Thus, the communities of Vancouver Island working together achieve more visibility at a trade show than if they each had an individual booth.<sup>303</sup>

As the COED program and the Provincial Municipal Partnership program are scheduled to end in 1990, Nanaimo has begun to try to orient its economic development activities more towards assisting and improving existing businesses rather than searching for outside investment. In contrast to past municipal administrations, this economic development philosophy of Mayor Leach and Melinda Entwistle is more similar to that held by the Nanaimo Community Employment Advisory Society (NCEAS).

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**302** The communities in the Vancouver Island Economic Development Association are Victoria, Duncan, Nanaimo, Cowichan Valley, Port Alberni, Powell River, Gold River, Comox Valley, Campbell River and Port Hardy.

**303** Interview with Melinda Entwistle, EDO for the City of Nanaimo, March 1991.

**Conclusion:**

As another recession approaches, it has been argued that Nanaimo, unlike in the 1981 recession, will be better able to weather the storm because of the NCEAS's not-for-profit lending institution: Colville Investment Corporation.<sup>304</sup> Although, the NCEAS has been overshadowed by other economic development activities taking place in Nanaimo, such as the Duke Point Industrial Park, it has had a larger effect in terms of job creation - and with less cost to the tax payer<sup>305</sup> - in the local community than that of the BCDC. Despite the NCEAS's success, it has received less than half the coverage of Duke Point from 1984 to 1987 (Compare Table 3E to Table 3A).<sup>306</sup>

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<sup>304</sup> Melinda Entwhistle, current Economic Development Officer (EDO) for Nanaimo, says that she has not spoken to a business with dealings with Colville (the wholly owned subsidiary of the NCEAS) which has had anything but praise for Colville and, its general manager, Don McMillan. Moreover, Entwhistle, as does Don McMillan, alleges that the current recession of 1990-91, is not hitting Nanaimo nearly as hard because of the efforts of Colville in particular and the NCEAS in general.

<sup>305</sup> The exact cost of the jobs in terms of the amount of provincial money spent at Duke Point cannot be accurately determined due to the variance in statistical evidence given by the BCDC. However, even the more conservative figure puts the cost per job of a result of Duke Point significantly higher than that of the NCEAS. One must remember, that although Mill related employment likely pays more in average wages than the jobs created through the NCEAS's CIC, the NCEAS has created more direct jobs and reduced the number of potential and real unemployment and social (GAIN) assistance recipients. See Tables 3B and 3C.

<sup>306</sup> It is important to note that I was concentrating on finding articles with regards to the NCEAS and initially avoided many articles directly related to Duke Point. See Table 3E for a more precise comparison of the media visibility given to each entity.

**Table 3E: Media Visibility of the  
NCEAS/CIC (1984-1987)**

**Part A: Articles where the NCEAS/CIC was the main subject of the article.**

Year	Number of Articles by Page Number				No. of Lines by Page Number			
	1	3	Other	Total	1	3	Other	Total
1984	-	2	-	2	-	244	-	244
1985	1	1	-	2	86	24	-	110
1986	-	1	-	1	-	25	-	25
1987	3	3	-	6	129	106	-	235
<b>Total.</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>11</b>	<b>215</b>	<b>399</b>	<b>0</b>	<b>614</b>

**Part B: Articles where the NCEAS/CIC was mentioned.**

Year	Number of Articles by Page Number			
	1	3	Other	Total
1984	-	1	-	1
1985	-	3	-	3
1986	-	2	-	2
1987	1	8	-	9
<b>Total</b>	<b>1</b>	<b>14</b>	<b>0</b>	<b>15</b>

Source: All articles are from the Nanaimo Daily Free Press from January 1984 to December 1987.

It seems the extensive coverage of Duke Point was a result of the high expectations held by those involved in the project. It makes one wonder whether the public visibility of such a project makes it more worthwhile for the provincial government to support such a development in the first place. Moreover, the large returns of such a project, if ever realized, must be seductive to those looking for public admiration, such as elected government officials at both the municipal and provincial levels. It makes one wonder whether the provincial government takes on large projects more for reasons of political ambition than out of economic good sense. It is perhaps the solutions to these puzzles which will provide much of an explanation for why the provincial government has not developed a funding mechanism for CDCs in British Columbia. And why they have decided to give only token support to their idea of CED through the COED program.

**CHAPTER FOUR**  
**QUEST FOR UNDERSTANDING**

There are many reasons which might explain the lack of provincial support for community economic development in general and Community Development Corporation's in particular. First, the provincial government may be reluctant to move into policy territory already covered by the federal Community Futures program. Second, allegations of cabinet infighting resulting in the demise of a potential CED program reveals some interesting themes of provincial conceptions of the appropriate scale and management of economic development initiatives. Third, the apolitical nature of CED may cause a degree of ideological reservation for the Social Credit Party. Fourth, provincial concerns over the ability and accountability of those operating at the local level may result in some uneasiness in devolving a significant amount of power to community groups. However, each of the former four explanations leave some unanswered questions to why CED has not been supported by the B.C. government. In the end, it seems that political concerns over electoral success and bureaucratic concerns over sustaining their agency stature within government have presented the biggest obstacle to CED at the provincial level in B.C.. Whether the new NDP government will be different remains to be seen.

Program Overlap:

There certainly is a desire on the part of provincial and federal officials, elected and non-elected, to avoid program redundancy.<sup>307</sup> This avoidance of program redundancy may be because of the confusion over which government receives credit and/or because of a sincere desire to avoid waste in government programs by promoting the effective and efficient use of resources among the various levels of government.

Federal-provincial intergovernmental competition for credit in regional economic development programs may discourage the provincial government from trying to simply add funding to the existing Community Futures program. When funds are simply added, the question of who receives the credit is blurred. In 1987, then Minister of Economic Development, Grace McCarthy justified the continuation of the COED program, by stating "[w]ithout COED, this area of economic development [(CED)] would become the exclusive preserve of the federal government."<sup>308</sup> However, the degree of publicity normally received when launching a new program is reduced when adding funding to an existing one. What public understanding there is of the program to begin with will be linked to the federal government.<sup>309</sup> Intergovernmental

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<sup>307</sup> Kevin McKee in an interview speaks of the past intergovernmental problems with confusion over who was suppose to be doing a certain job. Lithwick also documents problems within RED of program duplication. See Lithwick, 1987, pp. 137-138.

<sup>308</sup> B.C. Hansard, July 16, 1987, p. 2602.

<sup>309</sup> Jan Pullinger and Dale Lovick, NDP-MLAs for the Nanaimo-Ladysmith Area, speak of the provincial government's ill-fated Regionalization/Decentralization plans as politically motivated and concerned with trying to get government MLAs, Ministers of State, more credit for funds spent in ridings held by opposition members. Interview

competition over the credit received for regional economic development programs has been documented by authors such as N.H.Lithwick and Donald J. Savoie as being an important factor in the shape a program may take.<sup>310</sup> Moreover, in these days of budget deficits, limited resources, and the prominence of neo-conservatism, the provincial government wants to get the most for its expenditures.<sup>311</sup>

Whatever their concerns about visibility, provincial officials may also object program overlap on grounds of efficiency and effectiveness. The onset of the first subsidiary agreements signed between the federal and provincial governments in B.C., planted the seeds of program overlap. Confusion over who was doing what, and what was the appropriate role for each government, became an increasing problem in post recession British Columbia.<sup>312</sup> In terms of community-economic development efforts in other provinces, a 1985 report to a Federal Task Force on Program Review criticized the LEAD program, the precursor to the Community Futures Program, for overlapping provincial

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with Lovick and Pullinger, 1990.

<sup>310</sup> Savoie notes: "Regional economic development is often a high-profile activity, more often than not placing governments in a positive light. ... Not only is it highly visible, but it is also an area where the roles of each level of government are determined more often by politics than by formal jurisdictions. Regional development has often been a pawn in the continuing struggle between 'nation-building' and 'province-building'." Savoie, 1986, p. 12. Also see Lithwick, pp. 137-138.

<sup>311</sup> A senior civil servant who desires to remain anonymous, mentioned that Social Credit governments have tended to favour large glitzy projects.

<sup>312</sup> Interview with Kevin Mckee.

jurisdictions.<sup>313</sup> In British Columbia, it is argued that similar confusion between the federal and provincial government has been since rectified.<sup>314</sup> Regardless of where overlap has occurred in the past, it is not difficult to conceive that a provincial program which funded CDCs would likely be similar to the federal Community Futures Program.

However, it is also not difficult to see that much of British Columbia's economy, outside of the lower mainland (and capital region to a lesser extent) has had a hard time recovering from the 1981 recession.<sup>315</sup> Many of the regions and communities of British Columbia still need 'something' to happen to jump start their economies. Therefore, would it not be the case that doubling the existing funding, by the provincial government matching the federal contributions, would be helpful?

It may be feared that, if the provincial government were to commit funds to the existing program, the federal government may decide to cut

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313 The reports states: "LEAD initiatives have been perceived by several provinces (Newfoundland, Quebec and Ontario) as a federal/provincial irritant, overlapping with provincial development measures. In addition, part of LEAD financing is directed towards municipal-type projects, an area that is a provincial responsibility." Canada, Job Creation, Training and Employment Services, March 1985, p. 67.

314 Interviews with Kevin Mckee, Bonnie Plyzac and Don Mcmillan.

315 Davis and Hutton, in "The Two Economies of British Columbia" note that Vancouver in comparison to the rest of the province has made a better recovery from the 1981 recession. B.C. Studies, No. 82, Summer 1989, p. 7. Moreover, unemployment figures for the region including Greater Vancouver consistently lower, except in 1987 than those of other regions of British Columbia for the last fifteen years. See Appendix A.

back its present level of funding. As it has in other areas,<sup>316</sup> the federal government might feel that it can pass its regional and community economic responsibilities off on the province. This may then result in the same amount of money for CDCs in B.C. but that the provincial government would now pick up the bill. This sort of situation, in a time of growing government deficits and debt, would likely be unacceptable not only to the neo-conservative provincial government presently in power in British Columbia, but to any government in power in British Columbia. One might hypothesize that the logic for not having such a program includes questions of who receives the credit and the fear of the federal government shifting its fiscal responsibilities down to the provincial government.

Perhaps, then, the province's efforts to promote its idea of CED through EDOs and EDCs can be seen as a way of augmenting what the federal government is doing via groups like the NCEAS.<sup>317</sup> To put it another way, the provincial government believes it should work in tandem with the federal government but through different policy instruments. In regard to the relationship of the COED program with the federal Community Futures program, Grace McCarthy stated that "[e]ven the

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<sup>316</sup> In 1991, the federal government won a court case affirming their right to restrict increases in its annual transfer payments to the provinces. For B.C. this means a repayment of approximately \$40 million for cost overruns. Although this is not anywhere near the entire costs covered by Ottawa in transfer payments, it demonstrates the growing reluctance of Ottawa to fund joint-cost sharing programs with what it considers to be Canada's wealthy provinces (Ontario, Alberta and B.C.) See John Geddes, "Ottawa wins \$2B welfare cap ruling" in The Financial Post, August 16, 1991, p. 1.

<sup>317</sup> This complementary role is mentioned by Bonnie Plyzac, Melinda Entwistle, and Kevin Mckee in interviews.

federal government has recognized that community-based initiatives are at the leading edge of economic recovery, and has, among other activities, introduced its communit[y] futures program. ... and we feel our [COED] program enhances theirs [federal Community Futures program] and theirs enhances ours."<sup>318</sup> There is one program already in existence as a lender of last resort to provide money to local businesses, thus why not receive credit for developing a different program?

However, this is clearly not the entire explanation. The province largely ignored the NCEAS, rather than attempting to dovetail its activities with it. The programmes it has developed are based on principles contrary to those practised by the NCEAS. In any case, the province has not been deterred from other activities - like railway building and export development - by the federal presence. There must be more at stake here. Perhaps we can get a better insight by examining the events surrounding the abortive CED program associated with Finance Minister Mel Couvelier.

#### Pilot CBED - The Program that Never Was:

In order to understand the demise of this program it is first necessary to understand a bit about Mel Couvelier's feelings on economic development. Couvelier outlined his views on economic development around the time of Social Credit leadership race several months prior to the 1986 election. Mel Couvelier in an interview in Monday Magazine, spoke of his newly found interest in alternative ideas of economists like Jane

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<sup>318</sup> B.C. Hansard, July 16, 1987, p. 2602.

Jacobs and E.F. Schumacher.<sup>319</sup> Couvelier liked the concepts of locally-based economic initiatives and import replacement found in these and other authors as solutions for the "late twentieth century's" economic problems in British Columbia. Couvelier spoke of Vancouver Island becoming an economic unit of its own, through measures such as import replacement. "We're so poor on this Island because all we do economically is steal each other's wallets, while constantly paying Vancouver for almost everything we need."<sup>320</sup> Couvelier, also critical of chasing industry and foreign investors, reflects:

I've chased rainbows now for six or seven years in this town working with the old Economic Development Commissions and groups that are trying to bring major employers here. So I know from practical first hand experience, that even when we are successful enough to identify an offshore investment here, senior governments will steal them with high grants available on the mainland or Eastern Canada. And most of the data I've seen indicates that these kinds of forced growth situations don't often survive the term of their grant of tax forgiveness.<sup>321</sup>

Mel Couvelier ran and lost in the leadership convention to Bill Vander Zalm. Had he won, provincial economic policy might have been different, as will be seen below.

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319 Gene Miller, publisher of Monday Magazine, stated, "When I sent [Mel Couvelier] a copy of Jane Jacobs, Cities and the Wealth of Nations, he read it overnight, and was on the phone to Jacobs' publisher the next day to see if he could get her to address the Union of B.C. Municipalities (UBCM) convention." Peter Ladner, "The Buck Starts Here" in Monday Magazine, February 20-26, 1986, p. 10.

320 Ibid, p. 13.

321 Ibid, p. 14.

Given Couvelier's views on economic development, it is not unusual that a pilot-CBED program was proposed. Yet the program was vague in description. The design of this program pilot CBED program was to be shaped by suggestions from people throughout B.C. on what would best work.<sup>322</sup> While the program was never implemented, the alleged reasons for its demise reveals the large-scale, centrally controlled themes of traditional Social Credit economic development policy.

Before examining these themes, it is interesting to note that the allocation of \$3 million for the pilot CBED program mysteriously disappeared. In the 1987-1988 estimates for the Ministry of Economic Development the "Community Economic Development" program was described as follows: "This sub-vote provides for pilot initiatives, which may involve grants, loans, loan guarantees and equity investments to stimulate economic development and diversification at the local community level."<sup>323</sup> However, an examination of the Public Accounts not only reveals the "appropriation" of \$3,000,000 for community economic development, but also reveals the "actual expenditure" to be zero.<sup>324</sup> Furthermore there is no mention of the "Community Economic Development" program in either the Ministry of Economic Development estimates for 1988/1989 or the Public Accounts.

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322 British Columbia, Budget 1987, p. 87.

323 The \$3 million was to be spent by the Ministry of Economic Development according to three Ministerial Votes. Vote 20, provided for \$500,000 in administration costs; Vote 80, provided for \$2,000,000 for "grants and contributions", and Vote 95, provide for \$500,000 for "other expenditures". British Columbia, Ministry of Finance and Corporate Relations, Estimates 1987-1988, pp. 64-66.

324 British Columbia, Ministry of Finance and Corporate Relations, Public Accounts (1987/1988) Volume One: Financial Statements, p. D65.

1988/1989.325 In an interview for B.C. Politics and Policy by Ian Jessop, Rita Johnston, then Minister of Municipal Affairs, was asked:

Last year's budget touted 'Community-Based Economic Development' and committed \$3 million to encourage local development opportunities. This year, there was no mention of CBED and the \$3 million was not allocated. Has the government rejected the concept?

[Johnston replies:]

It all fits with the decentralization program and the eight region concept and has been included in each of the regional budgets.<sup>326</sup>

But what remains unanswered, is why the program was swallowed up into the decentralization program?

To begin with, Grace McCarthy was appointed as Minister of Economic Development shortly after Bill Vander Zalm became Premier of British Columbia. There were rumours coming from inside and outside of government alleging that McCarthy disliked the idea of a program - the proposed pilot CBED program - which might involve small amounts of money sent out to many groups.<sup>327</sup> Moreover, it has been

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<sup>325</sup> See British Columbia, Ministry of Finance and Corporate Relations, Estimates 1988/89, pp. 61-76; and Public Accounts 1988-1989 Volume One: Financial Statements, pp. D65-D67 and D143-D145.

<sup>326</sup> Interview with Rita Johnston by Ian Jessop, in B.C. Politics and Policy, Vol. 2, No. 5, June 1988, p. 13.

<sup>327</sup> Don McMillan, General Manager of the NCEAS, made reference to this rumour in an interview. A senior official in the Ministry of Regional Economic Development, who wished to remain anonymous, believed the pilot-CED program never made it off the ground due to Grace McCarthy's negative disposition towards programs dealing in "dribs and drabs." Moreover, I asked Mel Couvelier (without mentioning any Cabinet minister's by name) about the pilot CBED program and he affirmed my suspicions with regard to the demise of the program, stating "your information is correct". However, he would not mention any names of those individuals in Cabinet who did not like the idea of a CBED

rumoured that she desired larger programs, which brought with them more glamour. The opposition targeted McCarthy as having a strong desire for "large glitzy" projects and for ignoring calls for seed-capital funding programs for small business enterprises. Bob Williams, NDP-MLA for Vancouver East, criticized McCarthy, in the following speech in the Legislature:

[a]gain and again, capital projects and projects that are incredibly high cost per job. ... You've been contacted by the credit unions regarding seed-capital programs, where they're producing jobs at \$15,000 and \$20,000 a job. But that's not glitzy. That's not the glamorous opening of a big facility. That's just day-to-day stuff. Your predecessor, the former Minister of Economic Development [Bob McClland], agreed to cooperate with those programs. All of that has gone into limbo since you have become minister.<sup>328</sup>

It is interesting to note, that McCarthy did not deny the lack of interest in small-scale development. Nor did she deny her interest in large projects.<sup>329</sup>

The second personality to perhaps counter the potential creation of a funding mechanism for CDCs, is Bill Vander Zalm. Vander Zalm, although interested in decentralization, did not view decentralization as a devolution of power to non-governmental entities. Decentralization or regionalization involved dividing up the province into eight regions to be governed by a Minister of State. Decentralization was a form of bringing

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program. Interview with Mel Couvelier, ex-Finance Minister, July 26, 1991.

328 B.C. Hansard, July 16, 1987, p. 2613.

329 See *ibid*, p. 2613.

the executive closer to the various regions of B.C.. It did not involve any form of CED. Rather, it was a new form of centralization, paradoxically under the name of decentralization. Moreover, outside of the Regional Seed Program, little if any tangible focus on regional economic development could be found in Vander Zalm's regionalization plan. Even before the Social Credit Party fell to defeat late in 1991, Vander Zalm's alleged decentralization program seemed to be in limbo.<sup>330</sup>

Vander Zalm also desired to move government financial assistance to private business away from grants to loans and loan guarantees.<sup>331</sup> If the \$3 million intended for the proposed CBED program was actually transferred to fund the regionalization program, as Johnston herself alleges, then it is likely that it may have become part of the regional

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330 See Chapter 2 for more details on Vander Zalm's idea for decentralization.

331 In the 1987 Budget, the government states that it wants business to be more self-reliant. "Competitive businesses survive without government assistance; uncompetitive ones need continued subsidies, or protection from competition, in order to survive. Our government believes that the best way to ensure new investment is to establish a high level of business confidence in the province through competitive tax levels and by letting the private sector make its own investment decisions, without special subsidies or government interference." British Columbia, p. 13. In 1988, Stan Dubas, then deputy minister of Economic Development, was interviewed in B.C. Politics and Policy and noted the government's move to loan guarantees instead of loans and grants. "Government looking at equity position in high tech venture" in B.C. Politics and Policy, Vol. 2, No. 1, February 1988, p. 3; see also "Province to introduce Small Business Development Fund" in B.C. Policy Politics, Vol. 2, No. 1, February 1988, pp 1 and 3; "Ministers of State to oversee new small business program" in B.C. Politics and Policy, Vol 2, No. 3, April 1988, p. 4; and "Moli's \$6.4 million bail out contradicts Vander Zalm philosophy" in B.C. Politics and Policy, Vol. 3, No. 5, June 1989, pp. 12-13.

capital seed program.<sup>332</sup> The regional seed capital program, as detailed in chapter two, guarantees bank loans to small businesses. This funding is doled out to each Minister of State and is not in the form of grants or direct loans to private enterprise. Furthermore, it is of no expense to government unless the recipient of the loan defaults. Therefore, such a program fits in with Vander Zalm's philosophy regarding the appropriate form for government assistance to private business.

Although the Premier disliked grants to private profit-making enterprises, CDCs are non-profit organizations in that individual members do not profit. All profits are returned in the form of increasing the amount of local small businesses receiving loans. Then in this case, why would Vander Zalm's anti-grant philosophy to private businesses be relevant here to explain the lack of such a program? Moreover, the announcement of the pilot CBED program in the 1987 Budget did not even mention CDCs. It seems that the explanation for the lack of such a program runs deeper than that of cabinet personality, to incorporate ideological concerns.

#### Ideological Reservations:

Historically, community economic development is rather a recent phenomenon within the realm of economic ideas generally followed in Canada and more so in British Columbia. Towards the end of the 1970s, CED initiatives began to grow throughout the small towns and cities of

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<sup>332</sup> See British Columbia, Ministry of Finance, Financial and Economic Review 48th ed., October 1988, Table 6.13, p. 117; and "Special Report: Provincial Budget for Fiscal 1989/90" in B.C. Politics and Policy, Vol. 3, No. 3, April 1989, p. 9.

Canada. The Social Credit Party, being returned to power in 1975, may have, if hearing about CED at all, believed it involved ideas and practices which were antithetical to their own ideological values. The Social Credit may have seen CED to be anti-free enterprise. As Marcia Nozick points out, "the political right [see CED] as a new form of collective socialism: a decentralist substitution for the socialist model, currently out of fashion; the political left [see] it as a right-wing justification to booster small business and at the same time withdraw responsibility from social programs."<sup>333</sup> Ross and Usher not only echo Nozick's hypothesis, but also add that when examining the politics of small-scale development

[o]ne of the difficulties that the notion of informal economic activity faces in gaining political acceptance is that it does not fit well on this traditional left-right political spectrum: it is neither socialist, liberal or conservative. None of the traditional labels stick. Undoubtedly, this inability to associate informal activity with any traditional political party or ideology makes it difficult for people who evaluate ideas, policies and events in traditional political terms for purposes of accepting and understanding new ideas. A certain amount of confusion arises: socialists and liberals attracted to some of the ideas feel they unwittingly may be embracing conservative ideals; at the same time, conservatives wanting to adopt some of the new approaches fear they may be endorsing collectivist principles.<sup>334</sup>

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<sup>333</sup> Marcia Nozick, The Changing Times: Understanding Community Economic Development for the 1990s, MA Thesis, p. 213.

<sup>334</sup> Ross and Usher, From the Roots Up: Economic Development as if Community Mattered, pp. 127-128. Also see Greg MacLeod, New Age Business: Community Corporations That Work, p. 55.

At approximately the same time as the creation of the 1985 COED program, there was a movement from the left and the right to re-orient provincial government intervention in British Columbia's economy. As the recession took its toll on small town B.C., it became evident to those outside and inside of government that these communities suffered more than the Lower Mainland and the Capital Region due to their reliance on single industries and in many cases single factories. Most of these were resource based industries and factories. With the fall in resource prices because of the over-supply of resources on the world markets, these communities were hit harder than their more diversified urban neighbours (see Appendix A). Diversification of the economy was seen, by both the left and the right, as the solution to the problems plaguing these small communities and the province as a whole. Although calls for diversification were not new, how this diversification was to take place was a matter of some debate.

The Fraser Institute - a right-wing think tank popular with the Bennett government for assisting with the infamous restraint program of the early 1980s<sup>335</sup> - argued for measures to improve the investment climate in the province by such measures as enacting labour laws which provide more power to management and by reducing the minimum

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335 For a summary of the nexus between corporate interests, the Fraser Institute and the Social Credit government, see Patricia Marchak, "The Rise and Fall of the Peripheral State: The Case of British Columbia" in Robert J. Brym, ed., Regionalism in Canada (Toronto: Irwin Publishing, 1986), pp. 149-150; also for a revealing, albeit journalistic, account of the nexus between the Fraser Institute and Social Credit under Bill Bennett, see Allen Garr, Tough Guy: Bill Bennett and the Taking of British Columbia (Toronto: Key Porter Books, 1985), pp. 59, 90-94 and 111-114.

wage.<sup>336</sup> Again the Fraser Institute found an attentive audience,<sup>337</sup> with the province proposing the idea of Special Enterprise Zones.<sup>338</sup> However, the Zones, which would have relaxed labour laws and trade regulations, were never implemented.

Others, representing left-wing socio-economic views, did not find the provincial government very accommodating to their ideas. Groups, such as the Social Planning and Review (Research) Council (SPARC), and the Pacific Group for Policy Alternatives, argued for more socially-responsive investment in the people and communities of the province. Among other things, calls for community economic development were made by SPARC and others, such as Wes Shera,<sup>339</sup> for solutions to the problems of not just small town British Columbia, but all of British Columbia. Stressed in

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336 See Herbert Grubel, Free Market Zones: Deregulating Canadian Enterprise (Vancouver: Fraser Institute, 1983); and Merv Unger, "Cut pay build jobs" in NDFP, May 9, 1985, p. 3.

337 See Herbert Grubel, Free Market Zones: Deregulating Canadian Enterprise (Vancouver: The Fraser Institute, 1983). Grubel argued that high union wages and government tax levies and regulations were getting in the way of the entrepreneurial spirit. Moreover, Grubel in an address to the Nanaimo Chamber of Commerce argued: "The genius of economic free zones, like Duke Point could become, is that it would be an area of free enterprise, lower taxes and less union power. .... In this free country I am allowed to contract out my services. If I don't like the price, then I can walk away. If I want to work for \$2 an hour, then why not?..... If you want to reduce unemployment you have to get lower wages." Herbert Grubel quoted in Merv Unger, "Cut pay to build jobs" in NDFP, May 9, 1985, p. 3.

338 See David Donaldson and Jacqueline K. Maud, "Does B.C. Need Special Enterprise Zones?" in Allen and Rosenbluth, eds., Restraining the Economy: Social Credit Economic Policies in the 1980s, pp. 297-315.

339 Wes Shera, "Community-Based Economic Development" in Warren Magnusson, et al., After Bennett, pp. 121-133.

these proposals was the emphasis on citizen participation in the economic affairs of their respective communities.<sup>340</sup> In the case of SPARC, a number of regional conferences and research on CED in B.C. yielded several papers calling for greater provincial attention to CED as a socio-economic strategy to develop British Columbia.<sup>341</sup>

The tenets of CED also were embraced by the opposition NDP. In a critique of the 1985 provincial Budget Speech the NDP (opposition) leader, Bob Skelly, spoke of the need for democratic economic planning and an end to the centralized planning characterized by mega-projects.

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340 For some of SPARC's suggestions on what the provincial government could be doing within the realm of CED, see SPARC, August 1986, Section II, pp. 5-6.

341 These conferences were held in Prince George, Kelowna, Castlegar, Quesnel, Terrace, Duncan and Fort St. John. It is noted that "The downturn of the global economy in the 1980's and its dramatic impact on British Columbia has lent even more import to social and economic policy making in this province. The restructuring that our economy is now experiencing is calling into question many established assumptions and practices about economic growth and development, not just in this province but around the world. It is in this environment that [CED] has gained increasing attention in our province." SPARC, August 1986, Section IV, pp. 1-2. The Social Planning and Review (Research) Council of British Columbia (SPARC) conducted and participated in several studies and seminars on CED which involved community groups throughout British Columbia. See Coro Strandburg, Community Economic Development in British Columbia, January 1985; SPARC, Bridging Social and Economic Planning - An Exploration of Community Economic Development Activities in B.C., July 1985; and SPARC, Community Economic Development in British Columbia: Discussion Paper, August 1986. Beginning in 1984, the parameters of the research into CED were "1. Describing the extent and nature of CED activities in the province; 2. Examining the role of the voluntary sector in promoting CED; 3. Providing information regarding CED to individuals and community groups; 4. Animating local communities to stimulate interest in and action on CED." Gavin Perryman, in SPARC, July 1985, preface.

Skelly argued that an economic development "... program must be based on the principle of regional community self-sufficiency within the provincial economy. To the greatest extent possible, control over regional and local economies should be decentralized into those regions and communities."<sup>342</sup>

The Social Credit embraced the concept of CED in name only vis a vis the Community Organizations for Economic Development program. The Bennett government, perhaps suspicious of the source of the calls for alternative forms of economic development, found safety in entrusting local governmental bodies as opposed to non-governmental organizations with a greater degree of participation in local economic development. However, the devolution of power to municipal officials, as was the funding for the COED program, was token in nature.

The 1985 COED program seems to have been an attempt by the provincial government to put its own stamp on CED in British Columbia - bringing free enterprise down to the local level.<sup>343</sup> By those on the left, the COED program could then be seen along with the Provincial-Municipal Partnership program as a right-wing attempt to implement a supply-side economic agenda at the local level. However, ideology aside, the COED program may also represent the furthest the province would go in devolving economic power to the local level because of its fears about losing control over matters vital to both politicians and appointed officials.

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<sup>342</sup> B.C. Hansard, March 7, 1985, p. 5139.

<sup>343</sup> Shera, p. 132.

**Accountability and Competence:**

The argument has been made that CDCs like the NCEAS/CIC are not accountable for their actions to the local community through the process of elections.<sup>344</sup> The controlling members of CDC's like those of the NCEAS are not voted in by the public at large; they do not represent electoral ridings, nor do they create campaign platforms. Moreover, and perhaps most importantly in the minds of many, they are not directly accountable for how they use the tax payer's dollars. In sum, although they may operate in the interest of the community, they are not electorally accountable for their actions as a CDC.

One must wonder how one qualifies an action as being in the community's interest? The NCEAS, for instance, is controlled by its Board of Directors. This Board of Directors, although not elected by the community at large, must be representative of at least five elements of the community: government, labour, business, interest group and non-interest group (i.e., not representative of only one of the above).<sup>345</sup> The NCEAS's community representation is not perfect, but it is not simply dualistic (government/non-government) or tripartite (government/business/labour).

How one arrives at a measure of public accountability to please everyone is impossible to determine. As far as the accountability of the use of public funds are concerned, the NCEAS undergoes an annual

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<sup>344</sup> Bonnie Plyzac and Kevin McKee both echo this concern of government regarding accountability. They note that because the NCEAS is loosely accountable to the federal government it is especially distant from the effects of the voter come election time.

<sup>345</sup>See NCEAS, Operating Manual, November 1984, pp. 11-12.

double audit. Each year, the NCEAS is audited and then the auditor who performs the first audit is audited by a different auditor.<sup>346</sup> Therefore, it is difficult for anyone involved with the NCEAS to squander public funds for their own special purposes.

However, for the sake of argument, it is possible the Board of Directors of a CDC might be up to something which does not take into account the interest of the community in which they operate. What can the public do about it if they do not like what is happening with a NGO like the NCEAS?

Short of becoming involved in the operations of the group, the best they can do is vote out the MP which represents the riding where the CDC operations are carried out. Of course, this is almost meaningless, if the MP is not actually a member of the governing party. Even if enough malcontent voters vote against the government representative or renew the opposition member's term, this is a fairly ineffective action since the federal government is more insulated from the concerns of a community than is the municipal government. They are more insulated from the public's concern simply because the community in which a CDC is operating will generally represent at the most one riding or perhaps just part of one riding. Any given community then, is either part of a riding or one riding out of 295. Unless a large number of constituencies across Canada have problems with their CDCs, they are not going to be able to have much influence in changing the actions of a locally-insensitive CDC come election time.

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<sup>346</sup> Interview with Don McMillan; also see Bestwick and Partners, NCEAS Financial Statements March 31, 1990.

Thus, considering that the provincial government (the Social Credit) is supposedly grass-roots oriented it is not unusual to find that the guidelines to the COED program, specifically outline that this COED funding is only available to municipal governments.<sup>347</sup> Furthermore, as the COED program is part of the Provincial-Municipal Partnership program, any municipal government which desired to access these funds had to sign an agreement with the provincial government.<sup>348</sup> The provincial government was committed to fund only those initiatives which took place through an elected body. But why not allow municipalities to act as a lender of last resort to would-be local entrepreneurs, as do CDCs like the NCEAS?

First, municipal authorities are prohibited from lending or granting financial assistance to any "industrial or commercial undertaking."<sup>349</sup>

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347 The guidelines state: "While knowledge of these programs should be available to all key participants at the community level, it must be stressed that only municipal governments may take advantage of these programs." British Columbia, Ministry of Industry and Small Business Development, Community Organizations for Economic Development Program and the Economic Strategy Grants Program: Guidelines, September 1985, p. 3.

348 The COED program was meant to last to the December 31, 1990, as was the Provincial-Municipal Partnership program. These programs have not been cancelled and are in limbo. Melinda Entwistle, EDO for the City of Nanaimo, stated that 1990-1991 was the first year that they had to make a significant effort in justifying the need for provincial funds to carry out economic development activities.

349 The prohibition against aid reads in full: "The council shall not, directly or indirectly, assist an industrial or commercial undertaking, and, without limiting this sections generality, shall not grant assistance by (a) giving or lending money or other security, or giving the use or ownership of any immovable; (b) guaranteeing borrowing; (c) granting an exemption from taxation; (d) granting as a gift property owned by the municipality." Municipal Act, R.S.B.C. 1979, c. 290, s. 292. This

Second, it has been argued that patronage would run rampant if municipalities were able to provide financial assistance to private enterprise.<sup>350</sup> As some may argue, those who run for municipal office tend to have a self-interest in running which may contradict the general interest of the public at large. Those who run often have an extensive knowledge of the decision-making powers of a municipal authority. The economic history of these people, often involves some aspect of property development (for example long-time Mayor of Nanaimo, Frank Ney).<sup>351</sup> Matters of property zoning for commercial versus residential use are important concerns for those involved in what James Lorimer in A Citizen's Guide to City Politics calls the "property industry".<sup>352</sup> To grant municipal officials the power to make business loans may increase the level of collusion between those in council and those within the local business community. The agenda of the local business community, for

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section of the Municipal Act was first passed in 1947. See Municipal Act, S.B.C. 1947, c. 63, s. 22.

350 Don McMillan speaks of the fears of a provincial government may have over delegating lending power to municipal officials due to the potential for local patronage.

351 Frank Ney proud of his business sense, had by the mid 1970s interests in over 40 different real estate and corporate ventures. See Grant Anderson, p. 132.

352 Lorimer broadly defines the "urban property industry [as]...encompass[ing] all the businesses and professions involved in supplying accommodation in cities. Accommodation includes housing and all other kinds of urban shelter - office space, shops, factories, etc." These include, property insurance companies, investors, gas, phone, hydro utilities, real estate agents, lawyers, developers, architects, engineers, surveyors, construction companies and unions, building materials and equipment industry, banks, loan and trust companies etc. James Lorimer, A Citizen's Guide to City Politics (Toronto: James Lorimer and Company, 1985), pp. 12 and 19.

better or for worse, may end up being pursued instead of the public's agenda. Yet considering the above, one might argue that the municipal council can be voted out of office if the public does not like its choices in lending of money etc.

The provincial government may have a lack of faith in the ability of NGOs and even municipal officials to get deeply involved in creating economic development policies at the local level. Thus, the need for the province to handle the big projects - like Duke Point industrial park - may be based on the belief that "[l]ocal people are not seen as being capable of leading their own development or coming to grips with their own problems."<sup>353</sup> Government officials also may be used to dealing with 'professionals' from outside the community as opposed to those 'novices' inside the community.<sup>354</sup> Moreover, as Lotz suggests, "[s]ome politicians and civil servants still think that participation in development is just a fad, and that those involved will disappear from

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353 Tom Webb, "DRIE-ing out DREE" in Policy Options, Vol. 7, No. 4, May 1986, p. 11. Kevin McKee, official with what was the CED branch of the Ministry of Regional and Economic Development echoes this concern over the ability and moreover local responsiveness, of groups like the NCEAS/CIC. Interview with Kevin McKee, 1990.

354 Tom Webb, a specialist in community and cooperative development and the President of Tara Policy Alternatives in Ottawa, argues that non-elected senior officials are often the main architects of regional development policy. Webb states that: "If officials are more comfortable talking to people in positions of power, it is certainly understandable that mega projects and not locally based development will be at the centre of any policy proposals they develop. The net result of all this is that, in order to promote development in the less developed areas of the country, it is necessary to rely on outsiders to do the job. Local people are not seen as being capable of leading their own development or coming to grips with their own problems." Tom Webb, "DRIE-ing out DREE" in Policy Options, Vol. 7, No. 4, May 1986, p. 11.

the scene and leave the running of the world to experts."<sup>355</sup> It seems, however, if this is the case, then those at the centre will likely have their own concerns in mind when proposing economic development policy which affects the communities and regions of the province. Concerns over local ability or electoral accountability seem to conceal the concerns of elected and non-elected officials over maintaining power and agency stature.

#### Maintaining Power:

Those officials at the centre - elected and non-elected - are likely to be concerned not only with increasing the strength of B.C. within the confederation, but also with maintaining or increasing their power within their respective roles in government. As detailed in chapter two, provincially sponsored economic development has historically been characterized by large-scale transportation, energy, and industrial site infrastructure development. Although these efforts have not been based in one area of the province, they have been concerned, mainly with province-building. Here, one can point to projects like the NE Coal development of the early 1980s. It is obvious that the provincial government was not primarily interested in trying to develop the sparsely populated area of North Eastern British Columbia, given the expense of the development. Rather they were interested in the tax revenue and investment it would have generated if the development was successful and the jobs that would have been created for the mining sector of the province. Thus, ideas of a somewhat autonomous, decentralized small-scale development by community non-governmental actors are opposite to the

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355 Lotz, 1977, p. 114.

ideas of economic development put into practise, historically, in B.C.356

### Elected Officials

Although there may be a perceived need for large-scale projects to develop the B.C. economy as a whole, it may also be the case that large projects are desired over small projects for reasons of electoral gain. Large projects are highly visible with the public and often involve large promotional efforts (for example, Expo 86). Some of these projects promise the creation of hundreds of jobs in one central location. It is easy for the average voter to understand the government's connection with a mega-project.

In contrast to mega-projects, CED seen in the form of CDCs, like the NCEAS/CIC, is diffuse, decentralized, and small-scale. It is not highly visible to the voters of any given community. Moreover, the connection between the government, as a source of funds for the CDC, and the CDC, as a source of job creation, is blurred. Job creation in the long run may be greater than in a mega-project, but in the short term it is incremental and dispersed. The week to week successes of a CDC are small and often do not attract much attention. When attention is attracted, it is often minimal or in the form of a summary of activities

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356 For example, \$3.5 billion over a five year period is to be placed into transportation development (1989-1994). British Columbia, Budget 1989, p. 9, whereas the COED program, over its five year period has spent approximately \$10 million. The figures for 1985/86 and 1986/87 were unavailable However it is likely under \$10m based on the figures for 1987-1990. The 1987/88 fiscal year the funding for the COED program was \$1,599,000, for 1988/89 it was 1,750,000, and for 1989/90 it was \$2,250,000. Sources Hansard, July 16, 1987, p. 2602; British Columbia, Ministry of Finance and Corporate Relations, British Columbia Economic and Statistical Review, 14th edition 1989, p. 134, and 15th edition 1990, p. 165.

over a longer period of time. In sum, as pointed out in chapter three, local media attention to a CDC like the NCEAS is over-shadowed by the promise of large-scale job creation of an industrial park like Duke Point.<sup>357</sup>

For the elected official, in cabinet or on the backbench, positive voter attention is crucial for re-election. Large-scale projects bring much media coverage inside and outside the community. Duke Point in Nanaimo, received much province-wide coverage in the late 1970s and early 1980s. However, in terms of the NCEAS and its CIC, one would be hard pressed to find any media coverage of their operations outside of the local Nanaimo newspaper.<sup>358</sup> Thus, even if the Nanaimo area continued to elect an opposition member to the legislature, the promise for potential jobs at Duke Point provided a useful carrot to the voters outside of Nanaimo.

It is also important to consider that mega-projects can be a liability if the public perceives them to be economically ineffective and wasteful

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<sup>357</sup> In the case of Nanaimo, the main paper, the Nanaimo Daily Free Press, carried between January 1984 and December 1987 11 articles devoted to a discussion of the operations of the NCEAS/CIC as compared to 27 articles with reference to Duke Point. See Tables 3A and 3E in Chapter 3. Qualitatively, most of the articles on Duke Point were critical of why those involved, the BCDC, the municipal government or the provincial government in general, could not get the development off the ground. Very few articles criticized the basic premise of the industrial developments which focused on attracting non-local, medium to large scale heavy industries as a means of economic development.

<sup>358</sup> There were over 9 articles in the Vancouver Sun, Vancouver Province, Victoria Times, and Victoria Colonist on Duke Point from 1977 to 1981, whereas no subject headings could be found in the B.C. Newspaper Index from 1977 to 1990 discussing the NCEAS.

of tax dollars. Although large scale projects have this danger, CED initiatives are neither very politically dangerous nor are they political prizes. Because they are by nature a slow and somewhat invisible in process, do not involve direct government control, and do not involve large quantities of money to be spent in a centrally located place, there are few political risks associated with such programs. However, by the same token, there are few political gains to be had. Although in the long term positive results may be felt, politicians tend, due to the electoral constraints placed on our government institutions, to plan for the short term. Moreover, even if a planned development ends up being unsuccessful, the promise of it could provide political points to the government over several election terms.<sup>359</sup> Thus, large scale projects may be risky but also successful in vote winning which may explain, in part, why British Columbia's economic history has been dominated by them.

#### **Elected and Non-Elected Officials: A Symbiosis**

This desire for larger projects can be better understood when one considers the nature of the relationship between the civil servant and the politician with regard to policy decisions. In what can be loosely called a western style democratic government, as is the case with British Columbia, the civil servant or official and the politician have a symbiotic relationship. On the one hand, the civil servant ultimately relies on the

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<sup>359</sup> In Nanaimo, the Duke Point Industrial Park when fully developed towards the end of the 1980s, as mentioned in chapter three, was to have resulted in at least 1600 jobs. Although fewer than 200 jobs were realized by 1990, the promise of the jobs may have been an enticing carrot on a stick for all those politicians involved to dangle in front of the Nanaimo voters. Yet, on the other hand, the promise of jobs at Duke Point did not result in any provincial government members being elected (See Appendix C).

politician for his or her stature within the bureaucracy.<sup>360</sup> On the other hand, the politician relies on his or her staff, the non-elected officials, to put his or her government's ideas into a policy package.<sup>361</sup>

As previously mentioned, cabinet ministers and elected party colleagues usually desire to be reelected and thus turn to the non-elected policy technicians to help them create the policies which will keep them and their party in power. Likewise those non-elected senior officials engaged in the creation of policies usually desire to increase their stature in their respective departments or ministries, and thus will desire to create policy which will not only allow their elected masters to remain in power but will also increase or maintain their usefulness to the governing party.

The question of who receives the credit for program successes must enter the minds of politicians when deciding on what an economic development program would look like. The politician and his or her party must be seen to be responsible for the provincial resources spent. As pointed out by Dale Lovick, opposition MLA for Nanaimo, "the

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<sup>360</sup> Although much of the hiring and firing of civil servants is done within the non-elected bureaucracy, much of the job a civil servant is going to have ultimately depends on the decisions made by the cabinet minister of his or her department, by any politicians on a related Committee, or by the Premier.

<sup>361</sup> It is important to point out that the policy ideas of the politician or the official do not necessarily originate from themselves. The politicians are, as outlined above, trying to gain re-election and thus desire votes and financial support of individuals and various interest (powerful) groups in the general society. Documentation of extra-parliamentary pressure groups trying to directly persuade the provincial government to avoid placing much effort in CED initiatives, like that of funding CDCs, seems to be unobtainable.

provincial government likes to distance themselves from any failure in the economy and take credit for any success."<sup>362</sup> If the chain of control over money spent is once removed from the elected official, then the credit for the lending of the money will also be once removed. In the case of a funding mechanism for CDCs, the credit will end up going to NGO involved in doing the lending. For the provincial official this may not be good. His or her elected superior may be seen to be ineffective in his or her duty as Minister of Regional Economic Development.

Moreover, it is likely that non-elected officials are concerned over maintaining or increasing their position within policy creation. They would not likely be interested in devolving power to NGOs to make decisions over lending money at the local level. Such a devolution of power and responsibility would not be in their interest because it reduces the visibility of their elected superiors and erodes their position within the policy-making process. Thus, one might ask: how are the non-elected officials able to create policy which avoids making their jobs redundant?

Perhaps the official, because of his or her expertise in the subtleties of economic policy making<sup>363</sup> and through the use of highly technical language and false dilemmas, is able to 'hoodwink' the relevant cabinet ministers and Premier into adopting the official's desired option as policy while at the same time accommodating the government's desire for policies or programs which will help them be reelected. Short of a cabinet minister with a great deal of technical expertise in economic

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362 Interview with Dale Lovick, October 1990.

363 For a discussion of the higher levels of technical expertise and education possessed by bureaucrats over politicians see Joel D. Aberbach et al., Bureaucrats and Politicians in Western Democracies, ch. 3 and ch. 4.

policy-making, the official's use of such technical language would be confusing and difficult to critique. B. Guy Peters, a political scientist specializing in the analysis of "bureaucracies", states that the

... item in favour of bureaucracy planning, especially economic planning, is that it is difficult for the average layperson - or politician - to understand. Much current economic planning is done through such devices as mathematically sophisticated econometric models processed by computer and dependent upon large quantities of economic theory. Few members of the political community have the skills, or are willing to invest the time required to acquire the skills, to understand fully the reasoning behind these planning methods or the assumptions on which they were built. The politicians are at the mercy of the planners in having the programs and their implications explained to them.<sup>364</sup>

Moreover, as noted by Joel D. Aberbach et al., because of the increasing technical complexity of problems facing government "... in advanced industrial democracies ... policy-making powers have shifted in a major way from the ostensible sphere of politics to the bureaucracy."<sup>365</sup> Furthermore, Lawrence H. Silberman, cynically argues that "[b]ureaucrats, naturally, defend their 'turf' tenaciously and seek expansion of their programs virtually without regard to past

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<sup>364</sup> B. Guy Peters, The Politics of Bureaucracy: Comparative Perspective, 3rd ed. (New York: Longham, 1989), p. 200. Moreover, Peters notes that "the bureaucracy retains one principal advantage in a struggle over policy - it is simply so numerous. The sheer immensity of the task of controlling a large, complex, and knowledgeable public bureaucracy possessing substantial political support may defeat all but the hardest politician." Ibid, p. 190.

<sup>365</sup> Aberbach et al., Bureaucrats and Politicians in Western Democracies p. 111.

effectiveness."<sup>366</sup> Thus, it seems the elected official is increasingly becoming a potential captive of the technical expertise and ambitions of his or her non-elected staff.

In particular, both elected and non-elected officials may want to steer the government clear of any decisions which may result in the devolution of power away from the centre to the local level.<sup>367</sup> As Lotz suggests:

Politicians and civil servants usually pay lip-service to the concepts of community development and citizen participation. But the politicians understand that it is a threat to their power base, and the civil servants think it will involve more work. Both groups are correct, for the aim of community economic development is to make democracy work for more people.<sup>368</sup>

However, the COED program is safe, for it does not remove provincial credit for the economic success of municipal EDCs. Stressing the supply-side aspect of the COED program, Grace McCarthy stated in the B.C. Legislature that "[w]e work with municipalities to help them prepare their promotional and marketing efforts. If a municipality attracts a big development, ... our ministry can take some credit for helping,

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366 Laurence H. Silberman, "Policy Analysis: Boon or Curse for Politicians" in Robert A. Goldwin, ed., Bureaucrats, Policy Analysts, Statesman: Who Leads?, p. 37.

367 Interviews with Dale Lovick, Jan Pullinger, Ian Back, Bonnie Plyzac, Joy Leach, Melinda Entwistle and Don McMillan. All of these people consider the concern over power (re-election, advancement etc.) as being central in decisions many provincial politicians and officials make in policy formulation.

368 Lotz, 1977, p. 114.

along with the Ministry of Tourism."<sup>369</sup>

**Conclusion:**

All explanations considered, it seems that the lack of a funding mechanism for CDCs in particular and CED in general has had more to do with government concerns over maintaining their position within the community than anything else. Each explanation reviewed, although different from the next, reveals a recurring theme reinforcing the above explanation. First, in terms of program overlap, one can see the concerns of the provincial government in receiving credit where they feel credit is due. That is, they want to avoid the public confusing which level of government is delivering which service. Second, the explanation for the demise of the pilot CBED program seems to point to the desire of Grace McCarthy and Bill Vander Zalm to continue traditional forms of economic development and political representation. For McCarthy, large projects are more exciting and bring more credit and public recognition of the government's activities. While for Vander Zalm decentralization involved bringing the provincial government closer to the public through the executive rather than devolving power to either elected municipal governments or non-elected CDCs. Third, provincial concerns over the need for accountability and competence in economic development initiatives also ensure that economic development initiatives remain in the hands of those who are elected and those who possess expertise in such matters. However, such views lead to a centralization of power at the top and tend to avoid any substantive attempt to devolve power down to the

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<sup>369</sup> B.C. Hansard, July 16, 1987, p. 2602.

community. Fourth, the Social Credit having dominated B.C. politics for most of the last four decades, had come to feel comfortable as the party in power. For the Social Credit and their supporters, maintaining power has become crucial to keep the so-called 'socialists' out of power.<sup>370</sup> However, in these days of mounting budget deficits and calls for the reduction in business and personal taxation, any party in power wanting to last for more than one term would desire to get the largest return for their money spent. How that return is defined is of crucial importance to understand how the money is to be spent.

On the one hand, if elected and non-elected officials are more concerned about public recognition, it seems that the programs that they choose to develop will involve initiatives which are the most visible to voters (for example, mega-projects). On the other hand, if they are more concerned about long-term job creation, the programs they choose may not need to be as overt (for example, small business development and CED). Even though the Social Credit have considered their party to be based on an ideology of non-intervention in the economy, it seems that when their government has intervened they have historically chosen

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<sup>370</sup> See Young, "Political Parties" , pp. 83 and 100-104. It is important to note that the NDP consider themselves to be a social democratic party and have historically resisted pressures from Communist influences. See Warren Magnusson, "Regeneration and Quality of Life in Vancouver" in Dennis Judd and Michael Parkinson, eds., Leadership and Urban Regeneration: Cities in North America and Europe (London: Sage Publications, 1990), p. 176.

visibility over a less publicized role in the economy.<sup>371</sup> But would a different political party in power - such as the NDP - be more comfortable with funding CED?

The NDP cannot be judged as accurately as can the Social Credit, for they have been out of power while the NCEAS formed the CIC in 1980. However, as the opposition party, they have called - in their economic development policy statements - for a greater devolution of economic decision-making to the local level.<sup>372</sup> They have also argued for wider participation than is usually found at the community level. They allege that they are interested in seeing a greater availability of seed capital to small-scale CED initiatives. All of the above elements not only conforms to much of what CED is, but also goes much further than that proposed or developed by the provincial government. Moreover, the NDP were partially responsible for setting up the federal-provincial program - the 3 year CES experiment in 1975 - which resulted in the creation of the NCEAS. Yet how far the NDP would go to further CED and fund CDCs in B.C., if and when they form the government, remains to be seen. A government which moves to fund CDCs in B.C. may lose voter attention.

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<sup>371</sup> Projects like Expo 86 and NE Coal have dwarfed the revenue committed to province's alleged CED initiatives (COED program). It is important to note that I am not discounting the back-room role of government and large businesses coming to agreements over what the conditions for the economic climate of the province should be.

<sup>372</sup> See New Democratic Party, Government in the 90's: Regional Economic Development in B.C. (Vancouver: B.C. NDP Convention Paper, 1990); and New Democratic Party, Vancouver Island Economic Development Strategy (1986) Draft Discussion Paper.

However, even if the provincial government were to develop a program - given the history of their economic development programs - they would have a hard time convincing some CED officials of their sincerity. Don McMillan (General Manager of the NCEAS), would only accept provincial money for their loan program if it were provided without preconditions which may restrain the NCEAS's community economic development focus. McMillan, however, believes that even if a program were established to fund CDCs by the province, the guidelines - considering past and present lending programs to more traditional businesses stressing profitability - would likely be too rigid for a CDC to carry out its goals. The focus of a CDC would shift from community development to profit development, by-passing those who have already been by-passed by the more traditional lending institutions (banks and government loan programs). If a CDC, such as the NCEAS, is to help those in the community who need it the most, then it must avoid becoming like a Venture Capital Corporation.<sup>373</sup>

On the one hand, if the provincial government were to develop a CED program in general which conformed to the basic ideals of CED (outlined in chapter one) they would risk eroding their visibility and, hence, power at the community level. The ability of community-based non-governmental organizations to affect the social and economic development of their communities would grow. As result of this, identification with the provincial government would likely decrease as the government transferred more powers to non-governmental organizations. Projects like an industrial park development would no longer overshadow the efforts of these community organizations, to the same degree as they

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<sup>373</sup> Interview with Don McMillan.

did in the past.

On the other hand, government support of CED in general and the funding of CDCs like the NCEAS in particular could possibly result in the empowerment of local citizens without the disempowerment of the traditional political elites (politicians and civil servants). This could happen if government were prepared to work with those involved in CED - to educate the public and raise the visibility of CED. Then such a funding mechanism could result in both local citizen empowerment and positive electoral pay-off. Such an educational process would require the relation between the CED initiative and the government support mechanism to be made clear to the general public. Undoubtedly this process would be more effective in the long-term rather than the short-term.

Unfortunately for those CED advocates, it seems that with the present electoral system, politicians will put most of their resources into short-term solutions. In B.C., CED initiatives will likely be left to grow slowly - supported marginally by the federal government, until a political party with more foresight and less concern over political gain is elected.

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2. Ian Back, Senior Business Development Officer at the Small Business Branch of the Ministry of Regional and Economic Development, November 1990.
3. Kevin McKee, Economic Development Officer at the Community Economic Development Branch of the Ministry of the Regional and Economic Development, November 1990.
4. Bonnie Plpyzac, ex-Economic Development Officer for the city of Nanaimo, and presently the President of the North Shore Economic Development Commission, North Shore, Vancouver, B.C., December 1990.
5. Don McMillan, General Manager of the Nanaimo Community Employment Advisory Society, Nanaimo, B.C., January 1990.
6. Dale Lovick and Jan Pullinger, NDP-MLAs for the Nanaimo-Ladysmith Area, B.C., March 1991.
7. Joy Leach, Mayor of Nanaimo, B.C., March 1991.
8. Melinda Entwhistle, Economic Development Officer for the City of Nanaimo, B.C., March 1991.
9. Mel Couvelier, ex-Minister of Finance (1986-1991), July 1991.

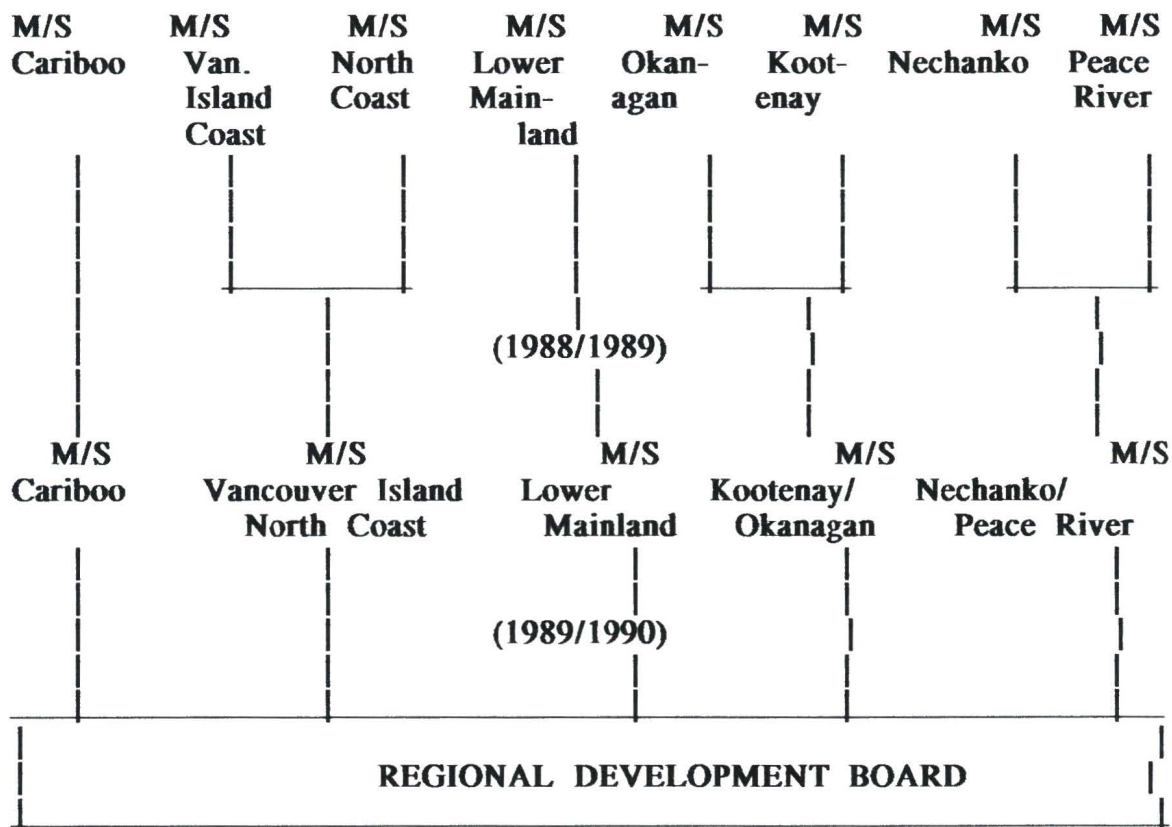
**Appendix A: Unemployment Figures by Economic  
Region in British Columbia  
(1975-1990)**

YEAR	REGION374								ALL OF B.C.
	1	2	3	4	5	6	7	8	
1975	7.0	10.6	10.3	12.3	7.7	9.4	9.4	10.2	8.5
1976	7.3	9.2	7.5	11.6	8.5	8.7	8.3	7.2	8.6
1977	7.9	8.3	9.6	11.2	7.9	9.6	8.6	8.5	8.5
1978	7.0	9.3	9.4	10.4	7.7	8.9	9.9	6.9	8.3
1979	n/a	8.2	8.4	9.3	7.1	8.4	8.5	7.2	7.6
1980	6.8	9.3	8.6	9.0	5.6	8.9	7.6	4.8	6.8
1981	n/a	10.8	7.8	10.5	5.3	9.0	7.7	n/a	6.7
1982	n/a	14.9	12.6	17.3	10.4	13.8	18.2	11.6	12.1
1983	13.0	16.5	15.6	17.7	12.6	14.9	15.9	15.6	13.8
1984	14.3	19.0	14.3	17.6	13.9	16.1	16.3	12.5	14.7
1985	13.7	20.3	14.9	16.2	13.2	14.7	15.5	14.9	14.1
1986	14.2	16.9	16.2	15.4	11.0	13.8	14.3	12.6	12.5
1987	n/a	14.7	13.9	14.6	11.4	11.3	13.1	12.2	11.9
1988	n/a	14.7	10.7	14.1	9.5	11.4	11.0	9.9	10.3
1989	n/a	13.2	13.7	12.8	7.8	9.9	10.6	10.2	9.2
1990	n/a	10.5	11.3	11.8	7.3	8.7	10.2	9.3	8.2

Source: Canada, Statistics Canada, Historical Labour Force, 71-529, 1975-1983, pp. 517-522; and 1981-1988, Table 37, pp. 360-367. Figures for 1989 and 1990 compiled from Canada, Statistics Canada, Labour Force, 71-001, January 1989 to December 1990.

374 Region One includes East Kootenay Regional District; Region Two includes Central Kootenay and Columbia-Shuswap Regional Districts; Region Three includes Kootenay Boundary, Okanagan-Similkameen, Central Okanagan and the North Okanagan Regional Districts; Region Four includes Squamish-Lillooet and Thompson-Nicola Valley Regional District; Region Five includes Fraser-Cheam, Central Fraser Valley, Dewdney-Alouette, Greater Vancouver, Powell River and Sunshine Coast Regional Districts; Region Six includes Vancouver Island and portion of the land between Bella Coola and Powell River; Region Seven includes Cariboo, Buckley-Nechanco and Fraser-Fort George Regional Districts; and Region Eight includes Peace Liard, the Central Coast, Skeena-Queen Charlotte, Kitimat-Stikine Regional Districts and Stikine Region. See Canada, Statistics Canada, The Labour Force, 71-001, August 1979, pp. 79 and 81; and August 1987, pp. 138 and 141.

**Appendix B: The Evolution of  
Regionalization  
(1987/1988)**



**M/S= Minister of State for "the Region"**

**Source: Compiled from "Decentralization evolves, and evolves..." in BC Politics and Policy, Vol. 3, No. 11, December 1989, p. 4.**

**Appendix C: The CCF/NDP  
Dominance in the Nanaimo Area**

**Table 1**

Provincial Election		Political Party (Percentage of Vote)	
		MLA Elected	Second Place
<b>Year</b>	<b>- Riding -</b>		
1933	Alberni-Nanaimo	Lib. (47.47)	CCF (35.51)
1937	Alberni-Nanaimo	Lib. (44.34)	CCF (38.36)
1941	Nanaimo & Islands	Lib. (33.46)	Cons.(33.40)CCF(33.15)
1945	Nanaimo & Islands	Coal.(58.59)	CCF (23.95)
1949	Nanaimo & Islands	Coal.(61.50)	CCF (37.41)
1952	Nanaimo & Islands	Cons.(52.89)	CCF (47.11)
1953	Nanaimo & Islands	Cons. (n/a)	CCF (n/a)
1956	Nanaimo & Islands	SC (45.52)	CCF (32.92)
1960	Nanaimo & Islands	SC (42.34)	CCF (41.87)
1963	Nanaimo & Islands	NDP(42.44)	SC (42.26)
1966	Nanaimo	NDP (47.99)	SC (47.61)
1969	Nanaimo	SC (49.22)	SC (46.47)
1972	Nanaimo	NDP (52.60)	SC (32.17)
1975	Nanaimo	NDP (49.08)	SC (44.50)
1979	Nanaimo	NDP (57.99)	SC (42.01)
1983	Nanaimo	NDP (52.17)	SC (40.30)
1986(2)	Nanaimo	NDP(2)(51.63)	SC(2)(45.66)
*1987(1)	Nanaimo	NDP n/a	n/a
*-By-election			

Table 2

Federal Election		MP Elected		Second Place
Year	(Riding)		(vote margin)	
1935	Nanaimo-Cowichan & Islands	CCF	(613)	n/a
1940	Nan-Cow & Islands	Lib.	(3,150)	n/a
1945	Nan-Cow & Islands	Cons.	(1,639)	n/a
1949	Nan-Cow & Islands	Cons.	(7,735)	n/a
1953	Nan-Cow & Islands	CCF	(2,388)	n/a
1957	Nan-Cow & Islands	CCF	(2,519)	n/a
1958	Nan-Cow & Islands	Cons.	(705)	n/a
1962	Nan-Cow & Islands	NDP	(3,872)	n/a
1963	Nan-Cow & Islands	NDP	(5,498)	n/a
1965	Nan-Cow & Islands	NDP	(5,846)	n/a
1968	Nan-Cow & Islands	NDP	(3,904)	n/a
*1969	Nan-Cow & Islands	NDP	(6,833)	n/a
1972	Nan-Cow & Islands	NDP	(15,304)	n/a
1974	Nan-Cow & Islands	NDP	(2,227)	n/a
1979	Nanaimo-Cowichan	NDP	(4,826)	n/a
1980	Nanaimo-Cowichan	NDP	(7,042)	n/a
1984	Nanaimo-Cowichan	Cons.	(1,752)	NDP
1988	Nanaimo	NDP	(n/a)	Cons.

\*-By-election

Sources: Information compiled from Pierre G. Normdin, ed., Canada Parliament Guide 1985 and Elections British Columbia, Election History of British Columbia 1876-1986.

Appendix D: Labour force  
breakdown for the Nanaimo  
area (1961-1986)

Industry	Percentage of Workforce by Sector			
	1961	1971	1981	1986
Community, Business and Personal Services.	22.1	22.8	28.0	26.3
Trade (Retail and Wholesale)	20.5	17.2	20.1	20.4
Manufacturing..	14.5	15.1	13.4	10.7
Transportation, Communication, and other Utilities.	11.5	10.4	8.6	9.2
Public Admin. and Defense..	6.1	5.9	6.3	7.2
Construction.	7.3	7.6	10.1	6.4
Financial, Insurance, and Real Estate.	3.7	3.5	4.6	6.1
Forestry	5.6	5.4	3.4	4.0
Fishing and Trapping..	2.9	1.5	1.7	1.8
Agriculture.	0.4	1.3	1.3	1.4
Mines, Quarries and Oil Wells.	0.1	0.3	0.2	0.4
Undefined.	3.1	7.5	3.9	7.2

Source: British Columbia, British Columbia Regional Index (1966, 1978, 1986, and 1989). (Note: if percentages do not equal 100% it because each one is rounded to the nearest 1/10 of a percent.)

Appendix E: Economic Indicators  
for the Nanaimo Regional District

**Table 1: Census Canada Unemployment Estimates<sup>375</sup>**

<b>Year</b>	<b>Percent</b>
1971	9.7
1976	10.8
1981	9.1
1986	17.6

Source: Census Canada, Statistics Canada, Labour Force and Industry Income 1971 (94-703), Vol. III, Part 1, Table 5, p. 11; Labour Force Activity 1976 (94-802), Vol. 15, Table 2-12; Economic Characteristics of British Columbia 1981 (93-970), Vol. 2, Table 1, p. 10; and British Columbia: Part 2 Profiles 1986 (94-120), p. 403.

**Table 2: Fluctuation in the Local Manufacturing Industry 1979-1984<sup>376</sup>**

<b>Year</b>	<b>No. of Firms</b>	<b>No. of Jobs</b>	<b>Payrolls (,000)</b>
1979	63	2,437	49,438
1980	62	2,429	59,232
1981	72	2,671	66,130
1982	72	2,181	61,269
1983	67	1,996	64,595
1984	74	2,165	68,015

Source: Statistics Canada, Manufacturing Industries of Canada: Sub-Provincial Areas (31-209), 1979-1984, Table 2.

<sup>375</sup> It should be noted that these statistics are not reflective of the unemployment problems in the Nanaimo region. Because they are not taken each year they do not reflect the downturn of the local economy during and after the 1981 recession. The 1986 figures come closest to the unemployment highs reported by the NCEAS.

<sup>376</sup> Manufacturing industries include the following: wood industries, furniture, printing, publishing and allied industries, metal fabrication, and miscellaneous manufacturing.

**Appendix F: Membership of the  
NCEAS/CIC Committees**

**Central Island Community  
Futures Committee**

1. Robin Holmgren
2. Gino Sedola (Ret. Alderman)
3. Lois Macey
4. Tom Krasner
5. Gary Korpan
6. Kari Lehtinen
7. Pat O'Brien
8. Earle Patterson
9. Andy Shaw
10. Bob Sheely
11. John Cameron

**NCEAS Board of Directors Directors**

1. Gino Sedola, Chair.
2. Pat Sullivan, Vice Chairperson.(Businessman)
3. Dianne Brennan, Secretary (Community Law Advocate)
4. Mike Benson, Treasurer.(Community-at-large Representative)
5. Thora Howell
6. Al Stewart
7. Stan Devereux (Ministry of Environment)
8. Owen Kennedy (Alderman)
9. Sharon Bertchilde
10. Doug Parker (Engineer)
11. Janet Wright
12. Robin Holmgren (B.C. Ferry Corporation)

**CIC Board of Directors**

1. Gordon Carlson, President. (President, Carlson Construction)
2. Mike Benson, Vice-President.
3. Gayle Anzik
4. Charlie Saunders
5. Betty McLean (President, Snip and Stitch Fabrics)
6. Stan Devereux
7. Gino Sedola
8. Pat Sullivan
9. Patti Miller

**NCEAS Core Staff**

1. Don McMillan, General Manager.
2. Keith Hodgson, Business Analyst.
3. Wanda Cushman, Business Analyst.
4. Linda Burgoyne, Office Manager.
5. Paul Preston, Hatchery Manager.

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Source: NCEAS, Annual Report 1986-87, pp. 18-19; and Annual Report 1989-90, pp. 9-10.

Note: Consistent background and position information of those on the committees was unavailable due to inconsistent documentation between annual reports.

Appendix G: CIC Loans by Sector  
(1989-90)

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<u>Sector</u>	<u>#Loans</u>	<u>Investment</u>	<u>% in Sector</u>
Fishing	1	\$ 10,000	1.6
Forestry..	1	12,000	1.6
Manufacturing	11	223,140	17.7
Construction	4	32,000	6.5
Wholesale Trade.	3	38,000	4.8
Retail Trade	12	182,720	19.4
Business Service.	7	25,650	11.3
Health Service	3	79,200	4.8
Hospitality..	6	169,000	9.7
Other Service	14	60,650	22.6
<b>Total.</b>	<b>62</b>	<b>\$832,360</b>	<b>100.0%</b>

Average Loan Size: \$13,425

CIC created jobs: 143

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Source: NCEAS, Application to Community Futures Program for Business Development Centre Funding 1990/91, pp. 10-11, sections 6.5 and 8.1.

VITA

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**University of Victoria 1989**

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Community Economic Development and Nanaimo**

Author



**David Robert Bruce MacDonald**

**December 5, 1991**