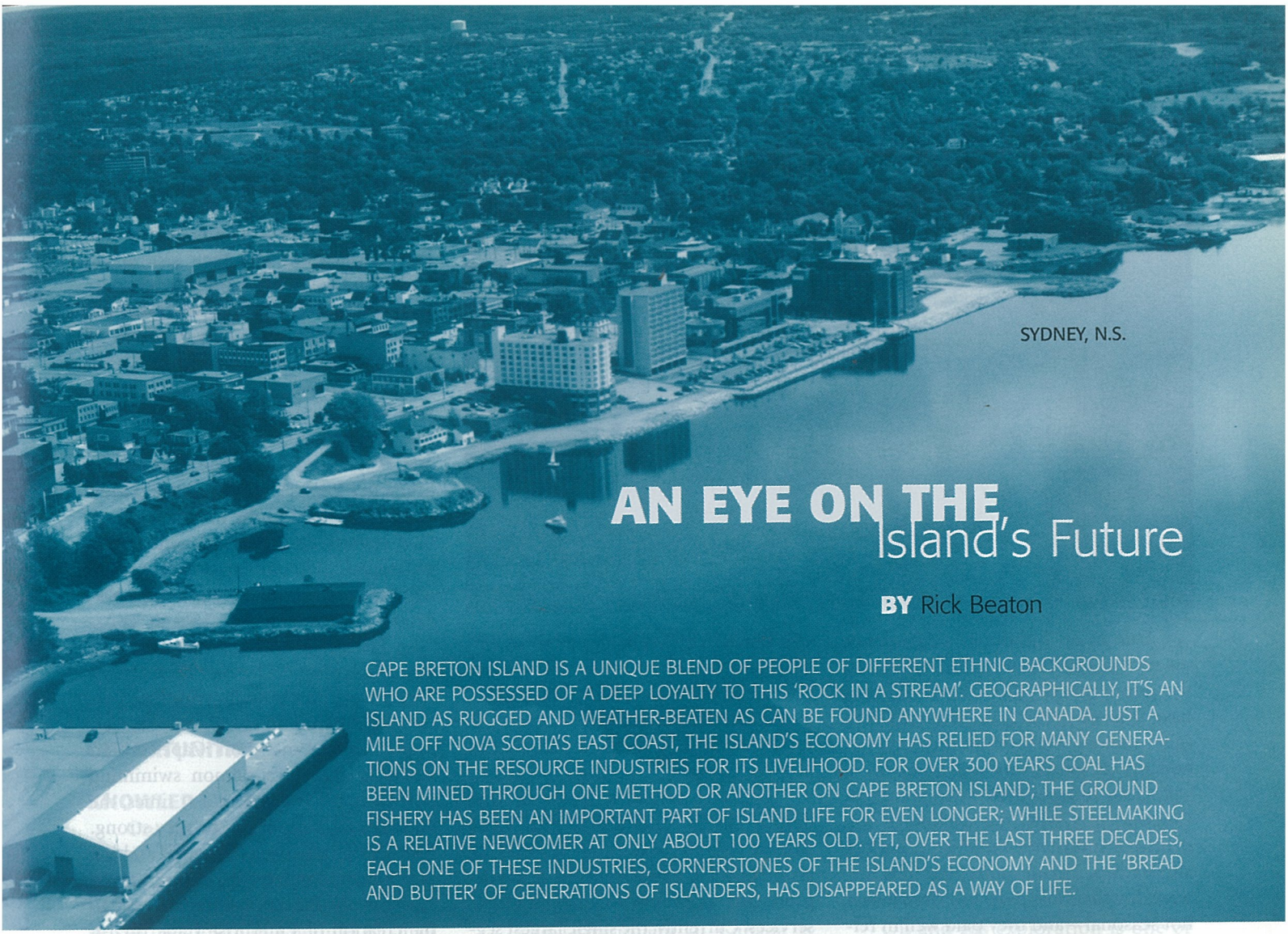


SYDNEY, N.S.

AN EYE ON THE Island's Future

BY Rick Beaton

CAPE BRETON ISLAND IS A UNIQUE BLEND OF PEOPLE OF DIFFERENT ETHNIC BACKGROUNDS WHO ARE POSSESSED OF A DEEP LOYALTY TO THIS 'ROCK IN A STREAM'. GEOGRAPHICALLY, IT'S AN ISLAND AS RUGGED AND WEATHER-BEATEN AS CAN BE FOUND ANYWHERE IN CANADA. JUST A MILE OFF NOVA SCOTIA'S EAST COAST, THE ISLAND'S ECONOMY HAS RELIED FOR MANY GENERATIONS ON THE RESOURCE INDUSTRIES FOR ITS LIVELIHOOD. FOR OVER 300 YEARS COAL HAS BEEN MINED THROUGH ONE METHOD OR ANOTHER ON CAPE BRETON ISLAND; THE GROUND FISHERY HAS BEEN AN IMPORTANT PART OF ISLAND LIFE FOR EVEN LONGER; WHILE STEELMAKING IS A RELATIVE NEWCOMER AT ONLY ABOUT 100 YEARS OLD. YET, OVER THE LAST THREE DECADES, EACH ONE OF THESE INDUSTRIES, CORNERSTONES OF THE ISLAND'S ECONOMY AND THE 'BREAD AND BUTTER' OF GENERATIONS OF ISLANDERS, HAS DISAPPEARED AS A WAY OF LIFE.

DRAMATIC ECONOMIC CHANGE

Cape Breton Island is witnessing a dramatic and fundamental restructuring of its economic base. For years it was known as the steel centre of eastern Canada and the industrial centre of the Maritimes. Coal was king and the fishery provided a way of life for countless families.

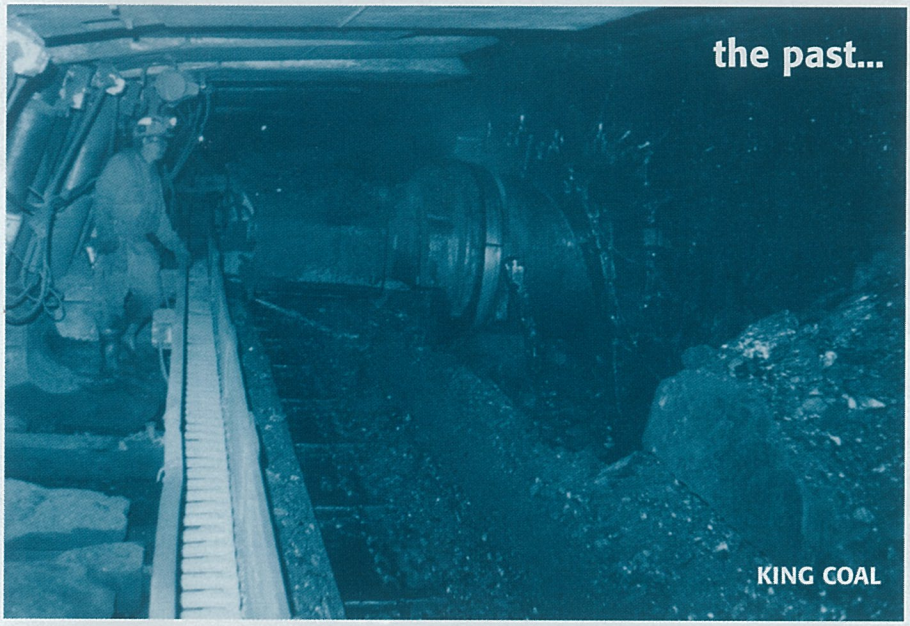
Once upon a time there were 40 active coal mines operating here employing 15,000 men. In 1961 the Rand Commission on Coal noted that in an area of approximately 87,000 people, roughly 50,000 residents were dependent on coal mining. Today there remains only one mine, and it will close before the end of 2001.

In its prime, Cape Breton Island was a prosperous community, with ample natural resources and a growing manufacturing sector.

In the 1950s and 1960s there were approximately 7,500 people working at the Sydney Steel plant. Today there are none and the facility is on the auction block, to be sold on a piecemeal basis, never again to operate in this community. In fact, in 1961, 24% of the workforce was employed in either coal or steel. By the end of this year that will be reduced to zero.

The third major pillar of the economy is the fishery. It has been hit hard by the collapse of the ground-fishery. Over 2,300 people have lost their jobs as a result of the closure. All of this has occurred on a relatively small Island with a population of approximately 158,000 people. What has happened here is more than just a shut-down or base closure. It is not the decline of a single industry. It is an almost total destruction of the economic raison d'être of this Island.

In its prime, Cape Breton Island was a prosperous community, with ample natural resources and a growing manufacturing sector. As a result new immigrants from across Europe and the Caribbean came in search of work. A relatively large community developed around these industries.



Due to an inordinate dependence on such a small number of industries, the economy of the Island did not have time to mature and diversify into other sectors. The community came to rely on its employers and there were very few independent entrepreneurs. Consequently with the decline of the principal industries there were limited alternatives. Furthermore, the jobs lost were, for the most part, full time jobs – not seasonal – and they paid well in relative terms.

Slowly but surely community and economic infrastructure slipped away. Passenger rail service has been eliminated and currently the Island is in danger of losing its freight trains. Other services have been consolidated into larger urban centres so as to create a critical mass and to improve efficiency. A costly reminder of the Island's isolation is the fact that a return airfare from Sydney to Halifax can cost over $900.

ECONOMIC DEVELOPMENT – THE CHALLENGE

The role of economic development entities that have been put in place by the Government of Canada is to facilitate the economic restructuring of the community, a restructuring that will result in sustainable long-term jobs in a more well-rounded or diversified economy.

The unemployment rate for Cape Breton Island in June 2001, according to Statistics Canada's Labour Force Survey, was 18.6%. This compares to an unemployment rate of 10.3% for all of Nova Scotia and 6.7% nationally. The participation rate for the Island is 54.3%, while in Nova Scotia it stands at 62.5% and 67% for Canada.

The fact remains, however, that despite these difficulties, the Cape Breton Island economy is making progress. It is evolving from a goods-producing economy to one based on services. Currently, the single largest segment of the economy is the service sector, which represents 79.5% of the Island's workforce as compared to 53% in 1961.

This change is due in large measure to the support for regional economic development that the Government of Canada has demonstrated over the years. Today the local economy is more diversified than it was in the past; Cape Breton Island is better positioned to withstand the collapse of the coal and steel industry and jobs have been created in new fields.

Reshaping and rebuilding of an area's economy is a long-term process and unfortunately there is no quick fix.

Reshaping and rebuilding of an area's economy is a long-term process and unfortunately there is no quick fix. Yet it is interesting to compare the Island's economy to the way things were just over 30 years when trouble in the Cape Breton coalfields first attracted national attention.

At that time there was no automotive parts manufacturer in North Sydney employing 320 people. The EDS customer interaction centres in Sydney and Port Hawkesbury with their soon-to-be 1,350 jobs were beyond anyone's imagination. The 800 jobs at Stora Enso did not exist. The University College of Cape Breton and the Nova Scotia Community Colleges with their 550 jobs were a pipe dream, as were the commercial developments now found in Sydney and Port Hawkesbury. The federal government's citizenship and immigration office with its 185 jobs was unheard of. Golf courses, and the hotels and resorts of Baddeck did not exist, nor did optical digitizing jobs or information technology jobs.

The problem, however, is that the rate of job creation has not been able to keep pace with the decline in the traditional industries. In many respects, economic development on Cape Breton Island is akin to a salmon swimming upstream. It's not easy, and at times, the downstream current can be very strong. Identifying new areas of growth and job creation and implementing programs to capitalize on these opportunities lead to the creation of Enterprise Cape Breton Corporation (ECBC) and the Cape Breton Growth Fund (CBGF).

RESPONSE OF THE GOVERNMENT OF CANADA

ECBC is a federal Crown corporation formed in 1987 by an Act of Parliament. It was born of the Industrial Development Division (IDD) of the Cape Breton Development Corporation (DEVCO), created in 1967 to run the Island's coal mines. At that time, DEVCO had a dual purpose that included industrial development and coal mining. The Act was amended in 1987 to restrict DEVCO's mandate coal mining. ECBC has a very broad and flexible mandate for economic development on Cape Breton Island and in the Mulgrave, Nova Scotia area. That mandate is to create less reliance on the coal industry and it

covers virtually anything outside that sector that encourages job creation and the generation of income and wealth on Cape Breton Island.

In addition, as a result of its 1999 decision to downsize and privatize the assets of the federally-owned DEVCO, the Government of Canada established an incremental economic development fund of $68 million to assist the Cape Breton Island community in efforts to adjust to the economic impact of this decision. The Province of Nova Scotia added $12-million to the fund for a total of $80-million. Named the Cape Breton Growth Fund, it was further supplemented by an additional $28 million in May 2001, after efforts to find a qualified buyer for the DEVCO's assets proved unsuccessful. To avoid overlap and duplication, ECBC provides a full array of administrative support to the CBGF.

OPPORTUNITIES

KNOWLEDGE ECONOMY

One promising sector of the economy is information technology and knowledge-based industries. Over the last several years, the Island has witnessed the growth of a number of small companies. Geomatics systems, distance education and digital animation are all happening here on the Island. Managing growth and access to capital are crucial elements to their ultimate success.

Most recently, a number of customer care centres have already been established, and EDS Canada is prominent among them. EDS is a world leader in this field and its Sydney centre is considered state-of-the-art. Furthermore, job growth has significantly exceeded expectations.

A second EDS facility was recently announced, bringing the total to 1,350 to be employed by the company. EDS is now among the largest private sector employers on Cape Breton Island.

The word is getting out. In the last two years the Government of Canada, through ECBC and the Growth Fund, has participated in the creation of over 2,000 customer care jobs on Cape Breton Island. Corporations are impressed with the quality and loyalty of the Island's workforce.

As Cape Bretoners, we must better position ourselves to generate and use knowledge – to innovate. We want Cape Breton to develop the capability to accelerate the development of new technologies.

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The Government of Canada is playing an important role. Late in 2000, NRC announced it would establish an Information Technology and Innovation Centre at the University College of Cape Breton. The lab will carry out research and development in partnership with other companies in the wireless communications sector.

TOURISM

Knowledge-based/IT industries are not the only priorities identified as possible Cape Breton economic growth sectors. Many of the Island's traditionally-stable industries can also benefit from a change in attitude. Tourism, for instance, is seen as another area with great potential. The Cabot Trail, and other aspects of this Island, draw people from around the world. They come for the spectacular scenery that's inescapable anywhere visitors travel, the culture, the outdoor adventure and some of the best golf in Canada. And there's no shortage of accommodations, services and attractions to lure visitors and keep them entertained.

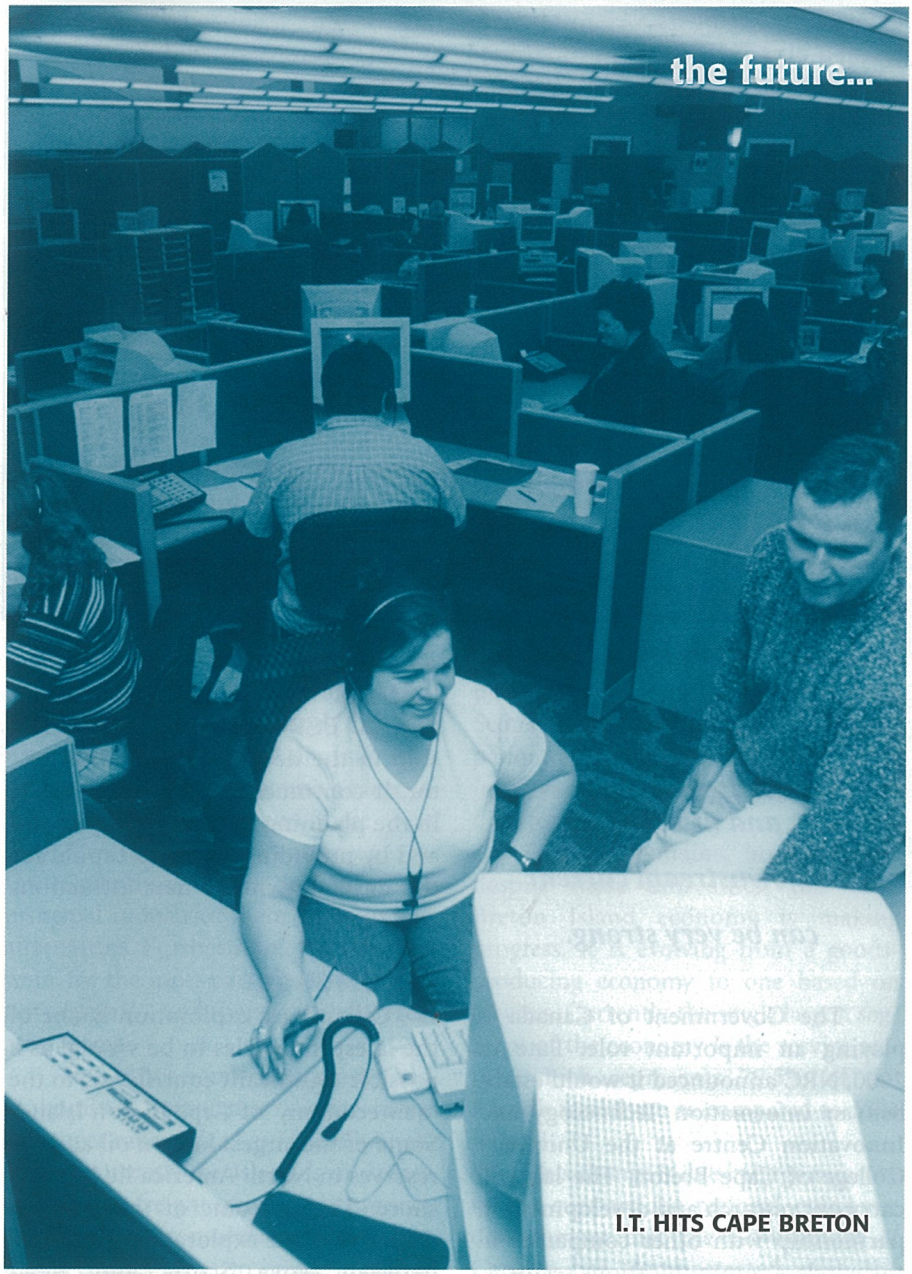
As for entertainment, Cape Breton's music industry is a major draw and a perfect complement to tourism. The musical diversity on the Island provides something for every taste, although the traditional music niche has exploded in recent years. Spurred on by the international recognition of performers such as Rita MacNeil, the Rankins, and the Barra MacNeils, and many others, traditional Celtic music is a staple at festivals and gatherings across the Island.

The Island's tourism sector now employs over 6,800 people and generates approximately $230 million in revenues each year. Past efforts, successful as they have been, have not yet matched the total opportunity. Potential exists for much more growth. ECBC has provided leadership in the development of this sector. It continues to play a major role in the planning for further expansion and by providing access to capital for the development of new attractions and services.

THE OFFSHORE

Oil and gas exploration is one of the latest industries to be viewed as a possible significant contributor to the 'new economy' of Cape Breton Island. Some of the largest known oil and gas reserves in North America lie just offshore. The outcome of the ongoing debate over the exploration boundary between Nova Scotia and Newfoundland will do much to reduce the element of risk for investors in this field. However, a timely resolution to this jurisdictional dispute is needed.

Interest in Cape Breton within the international oil and gas industry is building. Major projects for Cape Breton are under discussion and the nature and scope of the endeavors are varied. The potential outcomes for the Island are the same: new investment, expanded income, and employment. Industry can benefit from a pool of over 2,500 skilled workers with experience in trades associated with the oil and gas sector. That's good news for a company when it considers locating in the area. As for on-going training,



there is a petroleum institute located at the University College of Cape Breton (UCCB); the Nova Scotia Community College has programs and training targeted toward the skill sets required by the oil and gas industry. So Cape Breton is now positioning itself and training its workforce for future developments in this area.

ENVIRONMENT

Environmental remediation is a fairly surprising 'window of opportunity' that has recently opened as a potential market for the Island. It is ironic that while 100 years of steel-making and coal production have come to an end, there is now a need to develop the expertise to deal with their environmental legacy. Cape Bretoners can now develop the skill set necessary to provide remediation technologies and services. When that work is completed here, this expertise can be exported to other parts of the world.

In the end, the goal is to create a legacy of sustainable employment at a globally competitive level, enabling the Cape Breton Island community to once again become net contributors to the Canadian economy.

TRADE AND INVESTMENT

The Government of Canada through ECBC and the Cape Breton Growth Fund, has a role to play in the economic resurgence of Cape Breton Island. It can help in providing the tools to make the most of the opportunities ahead. Business supported by investment can take advantage of a stable, focused and competitive community with modern transportation and communication links, and a job-ready workforce capable of succeeding in the new global economy. This is the message that ECBC and the CBGF promote in their efforts to attract new investment.

These organizations are also working with numerous Cape Breton companies who are attempting to sell their products and services further afield. This includes assistance with market research, product development, export training and actual trade missions to new markets.

THE TEST OF TIME

I believe that the Government of Canada is helping to build a stronger and more vibrant Cape Breton Island. I am confident that when the history of this period is written, it will be said that Enterprise Cape Breton Corporation and the Cape Breton Growth Fund worked with the community to create opportunity for Cape Bretoners, that resources were employed wisely, and that a new spirit of entrepreneurship and optimism was fostered.

In the end, the goal is to create a legacy of sustainable employment at a globally competitive level, enabling the Cape Breton Island community to once again become net contributors to the Canadian economy.

Rick Beaton is the Vice-president of Enterprise Cape Breton Corporation and the CEO of the Cape Breton Growth Fund