



A Prosperity Plan for Eastern Ontario

A Report from the
Eastern Ontario Rural Policy Development Project

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1. The Voice of Eastern Ontario

Although sometimes viewed by others as a “region”, Eastern Ontario is more often viewed as an area of unknown potential lying between Toronto, Ottawa and Montreal. Recently, “Eastern Ontario” has emerged as a region in its own right – able to speak for its residents, articulating aspirations for the future, and identifying the issues which must be addressed to capitalize on the region’s potential. This Plan focuses on addressing these issues from a policy perspective.

The *purpose* of this Plan is to follow up on the recommendation of the Eastern Ontario Opportunity Action Plan to empower the Eastern Ontario Wardens Caucus to take the primary leadership in raising the region’s profile with the Province of Ontario. The end goal of this effort is to secure new or modified provincial policies, program designs and service delivery models which will unleash the region’s full potential for sustainable economies and communities.

For the purposes of this project, Eastern Ontario includes the area within the boundaries of the member organizations of the Eastern Ontario Wardens Caucus, plus the separated cities within the area and the area served by the South Lake CFDC. This area is set out in map form on the cover of this Plan. In this plan, the deliberate emphasis is on rural Eastern Ontario but the needs of more urbanized parts of the region have not been overlooked. Much of what is needed in rural Eastern Ontario will also help its urban areas.

This Plan is the third in a series of reports produced through the Eastern Ontario Rural Policy Project¹. The first document, a *Best Practices Review in Rural Policy*, looks at the experience of other developed jurisdictions in addressing the policy and program needs of predominantly rural areas, and deriving important lessons for moving forward in Eastern Ontario. The second document, a *Regional Data Set for Eastern Ontario*, provides --- for the first time --- a statistical overview of Eastern Ontario *as a region*. Both documents are available at www.eowc.org.

This Plan is regionally focused. It speaks to the policy and program issues which must be addressed to ensure that Eastern Ontario – a predominantly rural area – participates fully in the province’s transition to a knowledge-based economy² and makes its full contribution to preserving and extending Ontario’s prosperity – in social and economic terms.

Organizations consulted in the course of preparing this Plan are listed in Appendix A. In a formal sense, the Plan is presented on behalf of the citizens of Eastern Ontario by the Eastern Ontario Wardens Caucus, the CFDCs of Eastern Ontario, and the Ontario East Economic Development Commission.

¹ The Rural Policy Project is jointly funded by the Eastern Ontario Development Program (FedNor/Industry Canada), the Ontario Rural Economic Development Program (OMAFRA), and the EOWC.

² When Peter Drucker popularized the phrase in his book, *The Age of Discontinuity*, the term knowledge-base economy meant economic activity associated with the production and management of knowledge. More recently, it has also come to include economic activity from knowledge-sharing and the use of knowledge, such as results of research, to produce economic benefits. Original Source: Peter Drucker, (1969). *The Age of Discontinuity; Guidelines to Our changing Society*. Harper and Row, New York. ISBN 0-465-08984-4

2. Assumptions Related to Ontario's Economy and Social Systems

The Prosperity Plan for Eastern Ontario has been developed in the context of Ontario's economy and social systems. From this context, eight assumptions have emerged as the foundation for the Plan:

- **The Canadian dollar** will remain relatively strong in relation to the U.S. dollar; the U.S. dollar will fluctuate in relation to other currencies. As a result, the international climate will remain challenging for production-oriented industries and communities. *Therefore, Ontario's manufacturing sector – including Eastern Ontario – will remain “under siege”.*
- **Security, especially in energy**, will continue to dominate the U.S. policy agenda – and by extension, the Canadian policy agenda. *These concerns will influence the policy options open to governments at all levels --- from border crossings and energy strategies to justice systems and international trade agreements. This theme holds risks and opportunities for Eastern Ontario.*
- **Global trading negotiations** will continue to constrain domestic policy options; these constraints will have a much stronger influence on resource-based sectors (ex. agriculture, forestry) than the knowledge-based economy. *Eastern Ontario must become even more innovative to capture value from its resource-based sectors and processing operations.*
- **Technology**, particularly Information and Communications Technology (ICT), will continue to reshape economies and societies. In particular, the internet will continue to influence markets and marketing. *Eastern Ontario must gain access to the training, education, research and development services which will help to incorporate technology into all aspects of public and private operations.*
- **The tempo and stresses of modern society** will continue to fuel demand for counterbalance (ex. time off, change in physical surroundings, return to human-scale surroundings and activity). *Eastern Ontario can help to address all of these needs as long as the infrastructure is in place to take full advantage of its territorial capital.*
- **Experiential travel and tourism** will gain in popularity (arts and culture, extreme sports, slow food/culinary tourism, eco-tourism, active outdoor recreation). *Eastern Ontario can meet many of these needs as long as the infrastructure is in place to take full advantage of its territorial capital.*
- **Economic diversity** will continue to be an important risk management strategy, both provincially and locally, by dampening economic shocks either in today's leading sectors in Ontario as a whole or in single-industry communities in the province. *Eastern Ontario -- already diverse internally --- can contribute to the Province's diversity.*
- **Governments will be subject to higher expectations** from rural and urban citizens alike for the governments' ability to respond to social as well as economic issues. On the social agenda, environmental protection and poverty will join health care as focal points. *These issues must become a policy focus for the Province's urban and rural areas, including Eastern Ontario.*

3. General Principles for Rural Policy Development

In addition to setting the Prosperity Plan in a provincial context, certain principles have emerged from the *Best Practices Review* and *Regional Data Set* reports which underlie the specific policy proposals contained in this document:

- **Seeking Sustainable Prosperity:** The rationale for rural policy in Ontario should be to encourage Eastern Ontario to become more prosperous and sustainable. As a result of growing prosperity in rural Ontario, the economic and social disparities between urban and rural areas in the province would be reduced or eliminated.
- **Viewing the Region as a Contributor:** Eastern Ontario is a region and is considered as such by many provincial ministries. This perspective must now be informed by the understanding of the region's significant current and potential contributions to the Ontario economy.
- **Building on Strengths:** Policy development and program designs that encourage communities and regions to build on strengths are more likely to be successful than policy development and program design that assume particular capabilities, strengths, and assets.
- **Overcoming Challenges:** Eastern Ontario faces particular challenges – surmountable ones – that will require geographically-focused support from upper levels of government. This support is essential to unleashing the region's potential.
- **Acknowledging Full Partnership:** Local government is acknowledged as a partner in service development and delivery; as articulated in the Provincial Memorandum of Understanding with AMO. This concept must permeates all Ontario government ministries.
- **Flexibility in Policy and Programs:** Policy development processes and outcomes must incorporate the concept of flexibility to allow different parts of Ontario to achieve desired ends/outcomes in different ways. One policy for the entire province has not worked in the past and will not work in the future.
- **Considering Rural Implications in Advance:** Policy development in any given sector (or Ministry) should be carried out with full awareness and consideration of the potential impacts on rural Ontario in related sectors, Ministries and levels of government (example: Rural Lens approach).
- **Enabling Multi-Year Commitments:** Local/regional planning for service delivery and economic development is improved by predictable, multi-year commitments.
- **Basing Funding on Actual Costs:** Funding for service delivery should be based on *actual costs*, not a uniform, per capita formula. For some services, per unit costs will be higher in rural areas.
- **Considering Ability to Pay:** Policy development and program design must consider and incorporate an understanding of *ability to pay* for the level of government which will be responsible for the financial implications of a particular policy, program or service.

4. Policy Proposals

Overview

The identified assumptions and principles are directly translated into a set of policy proposals that:

- Build local economies from strengths in territorial capital
- Maintain and improve service delivery through a strategic approach to infrastructure
- Enhance the transition to the knowledge-based economy by developing and retaining human capital in rural areas
- Redress situations of responsibility without the resources to deliver
- Design programs that reflect the scale and financial resources of Eastern Ontario, and
- Use policies and programs to build urban-rural linkages.

Taken together, these policy proposals are a powerful prescription for economic and social development in Eastern Ontario.

4.1 Build Local Economies from Strengths in Territorial Capital

Because they possess enormous territorial capital³ (geographically-based assets, strengths and capabilities), Ontario's rural areas – especially those found in Eastern Ontario – offer potential *solutions*, not challenges, to the issues facing Ontario. This is especially true for the province's urban communities. Whether the issue is congestion, transportation gridlock, natural resource supply and management, or the ability to offer a full range of lifestyle choices, Eastern Ontario has the territorial capital to provide solutions and develop the region's economy at the same time. To do so, a new set of policy approaches will be required.

³ "territorial capital": a concept emerging from economic development work in the European Union. It refers to the inherent strong points associated with a territory's geographical position and connectivity, size, economic production, natural resources, quality of life, climate, social and cultural traditions (customs, informal rules, political stability etc), and the agglomeration economies provided by their towns, business networks and other formal or informal sets of relationships. Because the concept is geographically based, the policy implication is that each territory is unique and has unique potential. Source: http://ec.europa.eu/regional_policy/opensdays/CD/doc/c26.doc.

4.1.1 Make Municipal Government Full Partners in Program Planning and Service Delivery

Because municipal governments are heavily involved in the delivery of important public services and possess significant capabilities in program design and service delivery, they are a key part of Eastern Ontario's territorial capital. The full potential of municipal government for pursuing economic and social development is beginning to be recognized in Ontario:

- Bill 92, passed into law in June as the Municipal Law Amendment Act 2005, enshrined in law the Memorandum of Understanding (MOU) between the Province of Ontario and the Association of Municipalities of Ontario (AMO). This MOU included 1) a commitment to cooperating with local governments on issues that affect municipalities and 2) a commitment to prior consultation with AMO on any matters which will affect local government in the current municipal budget year or budget planning cycle.⁴ This direct recognition of municipal government must become a guiding principle of all Ministries.

Further steps have been taken within the Ministry of Municipal Affairs and Housing to live up to that commitment; the launch of the Joint Provincial-Municipal Fiscal and Service Delivery Review⁵ is the best example. However, the implementation of these principles is far from complete. Local governments continue to witness program introductions and assignment of service delivery responsibilities without prior consultation or consideration of the financial implications of these decisions. The most recent examples are the rollout of the \$70 million rural infrastructure fund (fall 2006) and source water protection measures for which local government is expected to absorb monitoring responsibility.

- The agreement with the federal government on gas tax revenue is an example of direct recognition. Through the four-way agreement between the federal and provincial governments, the City of Toronto and AMO (June, 2005), the Province of Ontario has opened up channels for direct negotiations between municipal governments and the federal government.

Proposal 4.1.1 - A: Eastern Ontario requests that the principles enshrined in the MOU must move beyond the Ministry of Municipal Affairs and Housing to permeate all Ontario government ministries.

Proposal 4.1.1 - B: Eastern Ontario requests that the findings of the Joint Provincial-Municipal Fiscal and Service Delivery Review (due in the spring of 2008) must be acknowledged and implemented.

⁴ Source: <http://www.amo.on.ca/>

⁵ Source:

<http://www.amo.on.ca/Content/NavigationMenu/PolicyIssues/ProvincialmunicipalFiscalServiceDeliveryReview/default.htm>

4.1.2 Rethink Service Consolidation

In recent years, funding challenges for major provincial budget lines such as health, education and social services have been met – in part – by downloading financial responsibilities to local governments⁶ and by retrenching/consolidating service delivery access points in urban areas. As a result, access to provincial services has become progressively difficult for rural residents since they must travel outside their communities to access vital services. Provincial programs which might benefit rural areas are often not even known to rural residents because the staff who used to provide the communications link between the Province and the community now work out of more centralized offices; they have much less opportunity to interact with distant communities. Effectively, provincial organizational policies constitute provincial withdrawal from these rural communities; without policy reversals or countervailing measures, these approaches will contribute to the decline of these communities.

Proposal 4.1.2 - A: Eastern Ontario requests that the Province reinvest in Ontario government ministries with mandates which are of particular importance to rural communities.

- **In some cases, ministries need to rebuild their field staff functions; in others, they require an annual allocation of financial resources they can use to invest – as partners --- in initiatives that will grow particular sectors across rural areas. Three ministries which should be at the top of the list for this type of reinvestment are:**
 - **Ministry of Natural Resources**
 - **Ministry of Agriculture, Food and Rural Affairs**
 - **Ministry of Tourism.**
- **The advent of Local Health Integration Networks (LHINs) is intended to result in better health care service to those living and working in the designated regions. Closure or relocation of hospital services or other health care services in outlying areas in favour of a consolidated approach based in a major urban centre would not achieve this end. When transportation challenges are taken into account, such consolidation would mean reduced access to health care services. LHINs must receive adequate resources to fulfill their mandate without sacrificing access to quality health care in any part of rural Eastern Ontario.**

⁶ In 2004, 26 per cent of municipal government expenditures went to social services and housing, and another five per cent were dedicated to health services. No other jurisdiction in North America funds these types of services from the property tax base. Source: [*Under Pressure: Ontario's Municipalities & the Case for a New Fiscal Arrangement*](#) [Report, January 2007]

4.1.3 Consider First-Right-of-Refusal for Local Community When Disposing of Surplus Provincial Assets

Regular review and assessment of the match between real property needs and current holdings is a good management practice in any organization. As the Province engages in this process over the next several years, there is an opportunity to explicitly consider the value of any surplus assets to the local community, while protecting the public interest in the process. Further, there is an opportunity to work with communities to identify and act upon any opportunities to repurpose facilities, thereby making an indirect provincial contribution to sustaining local communities, socially and economically⁷. For this concept to be implemented effectively, the Province must 1) transfer the asset at no or low cost to the community and 2) transfer the asset free and clear of any liabilities. Otherwise, the transfer is likely to have sufficiently high financial barriers to render it impractical.

Proposal 4.1.3-A: Eastern Ontario requests that as provincial real property is reviewed and assessed for future needs, the Province consider a first-right-of-refusal for local stakeholders for the no-cost transfer of surplus land and buildings as a tool for stimulating local economic development. Any such transfers must be a low/no-cost and must be free and clear of liabilities.

4.1.4 Nurture Entrepreneurs and Small Businesses as Sparkplugs for Economic Development at the Local Level

There is significant evidence to indicate that entrepreneurship is at least as prevalent in rural areas and small towns as in major urban centres. And these entrepreneurs face many of the same challenges regardless of their geographic location (example: labour shortages especially in the skilled trades, access to capital). Similarly, the incidence of small businesses in rural areas is at least as strong as in major urban centres. The key difference is that entrepreneurs and small businesses in rural areas may not have the same access to public supports for their businesses and are often left out of consultation processes undertaken for policy development and program delivery purposes. Small business accounts for a significant share of employment in rural areas and may be more deeply rooted in their communities than organizations with head offices in other jurisdictions. Clearly, one of the most important economic development assets in rural areas is underutilized.

⁷ The RFP process used for the Frost Centre in Haliburton is an example of this approach. For more information on the Frost Centre, go to <http://www.frostcentreinstitute.com/aboutus.html#golink>.

From the perspective of policy development supporting entrepreneurs and small businesses in rural areas, Eastern Ontario recognizes the challenge of seeking input from a group that is both geographically dispersed and represented by multiple bodies (CFIB, Chambers of Commerce, BIAs, industry associations and so on). Recognizing that the Province is well able to arrange consultations with provincial and national business associations, Eastern Ontario is prepared to assist provincial ministries in undertaking advance consultations on a regional basis with rural small business organizations and the businesses themselves. This could take place through economic development offices in rural communities as well as through the Ontario East Economic Development Commission.

Although not restricted to SMEs (Multinational Enterprises will benefit as well), Eastern Ontario encourages the Province to ensure that tax policies and regulatory environments support the manufacturing sector which is the base of many small communities and cities in Eastern Ontario⁸. In addition to explicit linkages into institutional research and development activity (one source of innovation), and strong support for workforce development (as set out in other proposals), manufacturers need supportive tax and regulatory environments – from advantageous corporate tax rates and capital cost allowances to reduced trade barriers.

A significant share of Eastern Ontario's manufacturing base has been disadvantaged by the investment threshold of Ontario's Advanced Manufacturing Investment Strategy (AMIS)⁹, which until recently was only applicable to capital investments above \$50 million (the threshold has now been dropped to \$25 million and an alternative eligibility criteria based on job retention has also been added.) Eastern Ontario calls for the elimination of the investment threshold so that any company with a prospective investment in advanced manufacturing could be considered under this program. Instead, emphasis in evaluating applications should be on the impact of the investment on job retention and growth, and the contribution of the proposed investment to introducing innovative or leading edge technologies into Ontario's manufacturing sector. It is through the introduction of these technologies and the skilled labour force required to apply them that Ontario's manufacturing sector will build sustainable economic activity.

Proposal 4.1.4-A: Eastern Ontario requests that the Province encourage co-ordination of the wide range of services and information resources for entrepreneurs and small businesses at both federal and provincial levels of government. Specifically, the Province is encouraged to take a leadership role in introducing a “one stop” approach to providing information on and improving to access to services and increasing the level of support for entrepreneurs and small and medium-sized enterprises (SMEs) in rural Ontario.

⁹ The Advanced Manufacturing Investment Strategy (AMIS) is a \$500 million repayable loan program to encourage companies to invest in leading edge technologies and processes that will increase productivity and competitiveness. The program's goal is to increase economic growth by stimulating private sector investment in innovation and leading edge technologies and processes across a range of sectors. Source: http://www.ontariocanada.com/ontcan/en/progserv_amis_en.jsp

Proposal 4.1.4-B: Eastern Ontario requests that the Province consult with local entrepreneurs, small businesses and leaders of innovative local organizations *before* introducing new policies which affect the business and economic climate. Further, this consultation should invite ideas and suggestions on effective ways to address problems and concerns rather than simply presenting preferred solutions that have already been developed outside of Eastern Ontario.¹⁰

Proposal 4.1.4-C: Eastern Ontario requests that the Province base policy development and program design for entrepreneurs and SMEs on incentives and rewards for communities and regions that build networks of common interest to coordinate service delivery, introduce best practices, share infrastructure, and build capacity for community economic development.¹¹

Proposal 4.1.4-D: Eastern Ontario requests that the minimum investment threshold be removed from the eligibility conditions for the Advanced Manufacturing Investment Strategy. Instead, emphasis in evaluating applications should be on the impact of the investment on job retention and growth, and the contribution of the proposed investment to introducing innovative or leading edge technologies into Ontario's manufacturing sector.

¹⁰ An example is entrepreneurship supports that are only available to young entrepreneurs. While such programs are worthwhile, rural areas may have entrepreneurs who have strong business skills and a good idea but are older. When rural populations are more heavily concentrated in age groups older than 29, a "youth" eligibility criteria puts other entrepreneurs in those areas at a disadvantage.

¹¹ The Regional Innovation Networks introduced by MEDT, and now operating under the Ministry of Research and Innovation, are a good example of such local networks. Note that network-based incentives should not be used to "require" partnership-based proposals for provincial programs where they are not needed to launch and operate a business.

4.1.5 Continue Efforts to Resolve Aboriginal Land Claims

Eastern Ontario wishes to underscore the degree to which lack of resolution of the Algonquin land claim will thwart efforts to strengthen our communities and secure our economic future. This issue has a particularly powerful impact on Eastern Ontario due to the geographic distribution of the land claim (see map below). The claim covers 36,000 km² of Eastern Ontario¹². Lack of resolution of these issues also means that aboriginal peoples in Eastern Ontario do not have the opportunity to participate in the region's social and economic development or contribute to the cultural diversity of our communities.

Proposal 4.1.5-A: Eastern Ontario requests that the Province intensify its efforts to resolve aboriginal land claims affecting this region, and encourage similar attention from the federal government.

4.1.6 Modify Ontario Tourism Strategy To Build on Best Opportunities:

Currently Ontario's Tourism Strategy – and hence its tourism promotion support – is based on major *existing* tourism assets, now referred to as “icons” (example: CN Tower, Niagara Falls). While understandable, this strategy does little to encourage Ontario tourism operators or destination marketing organizations to adapt to the recent changes in the sector or to create new tourism product that will capitalize on regional assets.

In Eastern Ontario, a provincial shift to building – and promoting – tourism product based on our best opportunities would stimulate tourism development from territorial capital such as the Rideau Canal, the Frontenac Arch (distinct landscapes and ecosystems), trail systems, agriculture-based artisan clusters, marine heritage based on the region's lakes and rivers, and heritage assets. Many of these assets are geographically distributed rather than being a single large facility in one community¹³. Ontario's tourism strategy should envelope both types of assets.

Proposal 4.1.6-A: Eastern Ontario requests that the Province redesign its tourism policies and programs by redefining “icon” to include existing *and* emerging icons, and to include both site-specific and distributed icons.

¹² Of the area within the claim territory, roughly 59 per cent is privately-held patented land, 21 per cent of the land mass is within Algonquin Park, 16 per cent is land held by Ontario as public lands and by provincial Crown corporations, and four per cent is federal Crown land. Source: Ontario Secretariat for Aboriginal Affairs

¹³ Eastern Ontario's tourism sector is also characterized by many small businesses which are based on these distributed assets. A “distributed” tourism strategy would link these smaller enterprises into much larger tourism development and promotion initiatives.

Proposal 4.1.6-B: Eastern Ontario requests that the Province revamp its tourism promotional strategy to increase emphasis on “new media”, the use of which is in the ascendance and where participation by tourism operators other than the major urban attractions would be more accessible.

Proposal 4.1.6-C: Eastern Ontario requests that the Province develop and introduce a program to precede the Premier-ranked Destinations Program, which would help small and medium-sized tourism operators and developers 1) build or enhance the quality of their existing tourism product, 2) build linkages with other operators to create tourism icons that are, in fact, clusters of tourism operations, and 3) market these tourism clusters to target markets within and outside the Province.

Proposal 4.1.6-D: Eastern Ontario requests that the Province review tourism program funding criteria to ensure that assets which are geographically distributed across a region (ex. trail systems, small theatres) are considered for support along with single-site tourism icons typically found in larger centres. This support could be made contingent upon participation in a larger network which would consolidate the marketing resources and impact of these assets. Similarly, policy and program funding criteria should encourage rural tourism operations to identify and pursue markets *within* the Province as well as international markets.

Proposal 4.1.6-E: Eastern Ontario requests that the Province ensure that in addition to supporting Active 2010 (Ontario’s program for increasing the physical activity levels of Ontarians), tourism and economic development aspects of recreational trails are reflected in policies and programs associated with the Ontario Trails Strategy, and the Ministries which affect implementation success.

Proposal 4.1.6-F: Eastern Ontario requests that the Province undertake a review of policies of other Ministries¹⁴ which affect negatively the prospects for tourism in Eastern Ontario, with the objective of identifying policy changes which would safeguard the public interest without placing undue burden on tourism operators for monitoring and compliance purposes. Specifically, the following policy areas are suggested for early consideration:

- Liaison with the Government of Canada regarding Parks Canada removal of navigation beacons on the Trent-Severn Waterway and the proposal not to maintain them. This is a potential danger when approaching lock stations, a risk which will otherwise likely end up in either provincial or local government responsibilities.¹⁵
- Liaison with the Government of Canada regarding U.S. passport requirements emerging from Western Hemisphere Travel Initiative. This requirement makes it difficult to attract Americans back to Canada after September 11, 2001.

¹⁴ Because the federal government is a key actor on many tourism fronts in Eastern Ontario, the review will need to consider many federal policies as well as those of other provincial ministries.

¹⁵ Removal of the beacons is an indicator of the resource pressures on this asset.

- Recent changes in fire regulations for establishments of four or more rooms (costs are prohibitive and businesses may close rather than retrofit)
- Timelines and processes for compliance with changes to the Accessibility Act.

4.1.7 Improve the Regulatory Climate for Energy from Biomass

Like other rural areas in the province, Eastern Ontario has substantial biomass resources (agricultural lands and crops, forested areas) that could make a significant contribution to meeting Ontario's targets for alternative/renewable energy. This contribution depends heavily on a concerted, coordinated effort to reduce or remove regulatory barriers to capitalizing on energy opportunities found in rural areas. These efforts must include:

- Encouragement to the Ministry of Environment to enhance their understanding of and ability to assess new technologies which could help Ontario meet its renewal energy targets without negative environmental impact.
- A review of and changes to legislation and regulations which disadvantage biomass energy technologies and place barriers in front of projects based on these technologies. Examples are onerous permitting requirements, lengthy approval processes (sometimes involving the federal government as well as the province), failure to apply environmental measures appropriate to bio-energy technologies, inappropriate definitions for bio-energy processes, feedstocks, and end-products, and subjective interpretation of projects and requirements.
- Creation of a single entry point for proponents of alternative/renewable energy initiatives to identify and work through regulatory steps and stages to bring distributed energy projects to fruition.

Proposal 4.1.7-A: Eastern Ontario requests that the Province, through the Minister of Research and Innovation, initiate an inter-ministerial initiative to improve the regulatory climate for energy from biomass. This initiative will improve provincial knowledge of new energy-related technologies, and remove/reduce barriers to energy from biomass, including the creation of a single entry point for regulatory consideration of Bioenergy projects.

4.1.8 Use Policy, Program Tools to Move Agriculture Further Up the Value Chain

A new mindset is required to capitalize on agricultural resources and move this sector away from commodity-based thinking toward higher value products and services. The new mindset requires:

- New business models to bring producers, processors, researchers, manufacturers, marketers and financiers together in pursuit of economic opportunity. Ontario must use the full array of business models¹⁶ to engage the farm community beyond the primary production stage of the industry. This engagement must include opportunities to participate in research and product development, formation of joint venture enterprises to move innovation into the commercial marketplace, and build on and off-farm businesses which can process/manufacture food and non-food products.
- Ontario Ministries to work together to encourage the federal government to update the regulatory environment for high-value products coming out of the agricultural sector.
- The Minister of Research and Innovation to become the advocate within his own government to ensure that other Ontario ministries are not erecting unnecessary regulatory barriers to new value-added products¹⁷.
- Consistent interpretation of the same health regulations by Health Units across Ontario. Variations have had significant impacts on efforts to build local food systems (producer-to-market value chains in the same geographic area).
- Consistent interpretation of building code requirements. Variations have had significant impacts on the introduction of new construction materials comprised in whole or part from agricultural biomass.
- Permissive regulations to allow Ontario livestock operations and grain producers to protect their operations from grazing predators.
- Policies and program supports which provide real incentive for agricultural producers to undertake environmental stewardship of natural resources (ex. land, water tables, air quality). Examples would be assistance for implementation of new requirements and regulations for Nutrient Management, and Health and Safety Act rules and regulations. Similarly, local governments would benefit from support on land use planning issues related to severance and non-farm related uses in rural areas.

¹⁶ Traditionally, the agricultural sector has relied on the co-operative model to create value beyond the individual farm gate. Rural Ontario must go beyond this approach if the agricultural community is to break out of the commodity-oriented mindset into the value-added marketplace.

¹⁷ Regulatory barriers under the jurisdiction of the Ontario Ministry of the Environment have had major impact on pursuing new economic opportunity from the use of new technologies to convert biomass from forest and field for the biofuels and alternative energy markets.

Proposal 4.1.8-A: Eastern Ontario requests that the Ministry of Agriculture, Food and Rural Affairs review its support programs to ensure that eligibility conditions do not limit pursuit of agriculture-based economic opportunity to organizations comprised entirely of or led by agricultural producers.

Proposal 4.1.8-B: Eastern Ontario requests that the Province review its support programs for research, innovation and commercialization to ensure that eligibility conditions include stakeholders from rural areas, including agricultural producers, processors, and other small businesses.

Proposal 4.1.8-C: Eastern Ontario requests that the Province undertake an inter-ministerial initiative to 1) remove/reduce regulatory barriers or 2) provide financial or other incentives to enable producers to meet new regulatory requirements. Priority areas within the Province would be environmental regulations, health unit regulations, and predatory grazing regulations.

4.2 *Maintain and Improve Service Delivery through a Strategic Approach to Infrastructure*

In the lexicon of the Province of Ontario, infrastructure means those structures, facilities and systems which facilitate the provision of public and private services, economic activity, and social interaction. For the purposes of this project, Eastern Ontario defines infrastructure as including:

- Roads, bridges and related structures (ex. signage, lighting, guardrails etc.)
- Transit systems (normally dedicated to moving people)
- Rail systems (which may move people or goods)
- Waste management systems (from septic systems, water and sewer systems and treatment facilities to landfill sites, composting facilities, recycling facilities, and hazardous waste depots)
- Electricity generation, transmission and distribution systems
- Hospitals, schools, colleges and universities
- Publicly-held cultural and recreational facilities, and
- Information and communications technology, including land, cellular and satellite telephone services, and broadband services.

Responsibility for operating and maintaining this infrastructure is shared by the Province of Ontario, a variety of special purpose public agencies and bodies, and local governments. In fact, a PIR presentation at the 2007 OGRA/ROMA meeting indicated that Ontario's municipal governments provide 45 per cent of the province's \$250 billion in infrastructure¹⁸.

Whether it is managed and maintained by municipalities or by the Province directly, Ontario's infrastructure is in deficit. There has been insufficient investment to maintain the infrastructure already in existence let alone build more. The Canadian Council of Professional Engineers estimates the *municipal* infrastructure deficit in Canada at \$60 billion (and growing by \$2 billion a year). The Ontario Ministry of Public Infrastructure Renewal puts the total infrastructure deficit in the province (all sources) at \$100 billion¹⁹. Now that municipalities are required to estimate life cycle costing over a 20 year period, it is likely that the size and nature of the infrastructure deficit will become even clearer... and the number is likely to increase.

¹⁸ Presentation for Infrastructure Financing: Show Me the Money by Mr. Steve Rohacek, Vice-President, Business Development and Corporate Services, Infrastructure Ontario, at OGRA/ROMA, February 26, 2007

¹⁹ Source: *Under Pressure: Ontario's Municipalities & the Case for a New Fiscal Arrangement* [Report, January 2007]

Both provincial and federal governments have begun to address the infrastructure deficit. However, the provincial emphasis to date has been on 1) provincial infrastructure and 2) infrastructure in major urban centres. For example, of the \$30 billion committed by the Province over five years through ReNew Ontario, approximately \$15 billion will go to hospitals and educational institutions. Another \$1.2 billion has been dedicated to transit. Recent federal EcoFund announcements continue the emphasis on transit.

For rural municipalities, where roads and bridges are the transit system, the provincial policy focus on transit rather than transportation makes the rural infrastructure deficit all the more challenging. For instance, the 2006-2007 Rural Infrastructure Fund was limited to \$70 million. The call for proposals attracted applications from 358 of 376 eligible municipalities with total funds requested in the \$300 million mark²⁰.

Regardless of the policy behind Provincial investment in public infrastructure, it is reasonable for the Province to expect any organization requesting financial support to make a compelling case for this particular priority (for example, through analysis of assets and prioritization of investments according to such criteria as public safety, environmental protection, expanded economic development opportunities, or amenities to strengthen a community's attractiveness to new residents and employers.).

The Province can reduce the cost of local infrastructure projects by simplifying the range and number of infrastructure funding competitions. These competitions are particularly costly for rural municipalities which rarely have on staff the full range and extent of skills and expertise needed to compete for major infrastructure projects. As a result, the competitive approach to infrastructure funding becomes an expensive venture as municipalities secure the services of consultants to prepare significant parts of their applications. If the municipality is unsuccessful --- often without even understanding why --- the investment in the competitive process is most likely lost.

4.2.1 Introduce New Infrastructure Planning and Investment Parameters

While the scale of Ontario's infrastructure challenge is daunting, Eastern Ontario wants to get on with the job of dealing with it. In particular, Eastern Ontario favours an increased allocation for municipal infrastructure based on recognition of the major role played by municipal government. Having seen what was accomplished through the one-time \$400 million allocation by the province in 2005-2006, it is clear that any allocation must be large enough to make a real difference. Regardless of size, Eastern Ontario would welcome the introduction of new infrastructure planning and investment parameters which incorporated the concepts of:

²⁰ Presentation by Paul Evans, Assistant Deputy Minister, Ministry of Public Infrastructure Renewal, for Infrastructure Financing: Show Me the Money at OGRA/ROMA, February 26, 2007

- **Clear identification of provincial priorities** for these investments (for example, the priority for public safety justifies investment in bridges or in water and sewer/waste treatment services, the priority for building the provincial economy justifies investment in highways and arterial roads).
- **Allocation-based systems** rather than competitive processes, which drive up costs (and sometimes taxes) for applications which may not be successful in provincial decision-making processes. This approach is especially important for projects where there is a public safety concern; the health and safety of Ontarians should not be determined by a municipality's fortunes in a competitive funding process.
- **Evidence of need** for any particular investment.
- **Sustainable revenue streams** (for example, an allocation based on gas tax revenues) so that municipalities will know the approximate amount of funding available each year.
- **Multi-year commitments** which are an integral part of annual provincial budget cycles.
- **Financing methods based on public sector life cycle costs** so that the infrastructure improvements or developments are paid for before the infrastructure reaches the end of its useful life.

Program design options could include:

- Program funding based on provincial priorities which may change over time (ex. water and sewer/environmental protection services in year one followed by roads and bridges in years two and three etc.) rather than multiple competing priorities in a single year with resulting decision-making processes and outcomes being unclear to the applicant and of limited impact across the province.
- Cost-based allocations to local stakeholders based on well-defined infrastructure needs, with the funding applied to local priorities within a provincial framework of acceptable uses (ex. health or public safety) rather than costly application-based competitions for basic infrastructure funding with allocation decisions being made by the Province.

Proposal 4.2.1-A: Eastern Ontario requests that the Province develop an approach to supporting municipal infrastructure investments that incorporates

- **Clear provincial investment priorities**
- **Allocation-based systems rather than competitive processes**
- **Sustainable revenue streams**
- **Multi-year commitments**
- **A requirement for solid evidence of need.**

Proposal 4.2.1-B: Eastern Ontario requests that the Province reduce the number and types of any competitive infrastructure funding processes to keep the municipality's costs of application development down. This approach should also reduce the administrative costs for the Ministry of Public Infrastructure Renewal.

Proposal 4.2.1-C: Eastern Ontario requests that the Province launch any competitive infrastructure funding processes as early in the annual budget cycle as possible so that municipalities can apply, learn the results, and act on any funding secured as early in the construction season as possible. This extra measure of funding flexibility could enable municipalities and other investors to keep cost increases to a minimum by preventing situations where everyone is competing for the same construction firms and materials at the same time.

Proposal 4.2.1-D: Eastern Ontario requests that the Province and AMO build two key concepts into the expectations of the Fiscal and Service Delivery Review process:

- Sustainability over time, presumably at least as long as the life expectancy of the infrastructure asset itself.
- Flexibility to enable both levels of government (provincial and municipal) to reflect local circumstances.

These concepts appear to be part of the Review agenda²¹; Eastern Ontario will expect to see these commitments fulfilled.

Proposal 4.2.1-E: Eastern Ontario requests that the Province continue its efforts to encourage community use of facilities such as schools. This makes better use of existing infrastructure to maintain social programs and recreational opportunities within communities.

²¹ The Ministry of Municipal Affairs website on the Review notes that "In addition to examining such issues at a provincial level, the (Infrastructure Working) Table shall consider the differing circumstances of different types of municipalities (e.g. urban/rural, location in different regions, etc)." the Fiscal Architecture and Economic Competitiveness Working Table refers to considering "the implications of current revenue sources, fiscal tools, and cost sharing arrangements and provide advice to the Coordinating Table on the evolution of a sustainable provincial-municipal fiscal architecture for the 21st century."

4.2.2 Address the Broadband Gap

In most of Eastern Ontario, population density is below the threshold that would enable private sector Internet Service Providers (ISPs) to build a *business* case for providing high-speed internet service on a purely *commercial* basis. This is a classic case of “market failure”. Yet without broadband, these same communities will have limited opportunities for economic development. Businesses already in the area will have an increasingly difficult time accessing web-based tracking and ordering systems, equipment/product catalogues, quotation databases and training materials. Their employees will have increasing difficulty pursuing continuing education and skills upgrades. Families will have greater difficulty accessing public services as diverse as completing an application to an institution of higher education or registering for an Ontario Ministry service online. As a result, lack of access to broadband has become – and without provincial and federal support – will remain a major competitive disadvantage for rural Eastern Ontario.

The goal for introduction of broadband in Eastern Ontario should be to introduce the service on a staged basis as quickly as possible and turn the service over to the private sector for operation and maintenance as soon as it is feasible to do so. Local government can play a key role – for example, by providing sites for wireless towers²² or owning them outright, thus allowing the capital infrastructure to remain in public hands if desired.

Proposal 4.2.2-A: Eastern Ontario requests that the Province should make a short-term investment in broadband designed to overcome initial capital cost barriers, thereby bringing the initial capital cost and risk down to a point where private sector Internet Service Providers (ISPs) can make a business case for *operating and maintaining* the service.

Proposal 4.2.2-B: Eastern Ontario requests that the Province designate one of its Ministries as the lead Ministry to ensure that provincial funding is expended in an accountable fashion.

Proposal 4.2.2-C: Eastern Ontario requests that the Province agree to let the region designate a regional stakeholder group to oversee implementation and take responsibility for accountability for public funds.

²² Wireless technology is not the only option; there may be areas where in-ground cable is a better choice. These decisions will need to be made based on the situation in each community or area.

4.3 Enhance the Transition to the Knowledge-Based Economy By Developing and Retaining Human Capital in Rural Areas

Out-migration of young people is a perennial challenge for rural communities; Eastern Ontario is no exception. However, this region is somewhat differentiated by its ability to encourage these young people to return after a number of years away and to attract slightly older members of the labour force, often individuals and families in search of a different lifestyle. So while the population of Eastern Ontario is *not declining*, it is changing as it grows. In fact, by pressing for implementation of a number of policy changes, Eastern Ontario has an opportunity to develop, attract and retain the human capital needed for the transition to a knowledge-based economy in much of the region's rural areas.

Policy changes are required to enable rural residents to secure higher education and skills training in their own communities by:

4.3.1 Provide Additional Local Educational Options

Both youth out-migration and the looming challenges of succession planning in rural businesses could be mitigated to some degree if educational programming were delivered to rural regions rather than assuming that all education (beyond primary and secondary) must be delivered in more urbanized areas (the current model in use by MTCU). Distance education could enable workers to keep working "at home" while they improve their skills and education. This approach would reduce the costs of education (by eliminating the need to move and to forego income) and maintain the size and capabilities of the local labour force.

It is not realistic to put a college or university campus in every community in Eastern Ontario. However, it is realistic to design community-based training centres which can be used for distance education programming drawn from a variety of suppliers. Distance education could be used to supplement the offerings of a community college or university operating in a particular geographic area or to deliver programs to areas which are not served by any existing institution. In fact, one such initiative is already under way in Eastern Ontario through the South Lake CFDC.

The Province could support these efforts through funding for:

- Broadband suited to two-way/interactive learning
- Targeted support for program development and validation (is there sufficient demand to offer the program) content, including conversion to a distance education format
- Registration fee subsidies to keep the costs to the same level as would be paid in other parts of the province where face-to-face programming is possible.

The approach in Eastern Ontario could be similar to Contact North/ *Contact Nord*, a Network of Distance Education & Training Access Centres in small, remote and rural communities in Northern Ontario. Contact North is used by secondary schools, colleges, and universities to provide residents of Northern Ontario with access to courses at more than 150 sites (Access Centres).²³ Eastern Ontario has many public and secondary schools, universities, colleges of applied arts and technology, and private sector education and training enterprises that could either serve as Access Centres or provide training content (or both).

Proposal 4.3.1-A: Eastern Ontario requests that the Province (through the Minister of Training, Colleges and Universities) initiate development of a new program that will expand the range of educational options available to residents of rural Eastern Ontario. The program could be similar in structure and operation to Contact North (Ontario's most extensive distance education network serving Northern Ontario). It would also include program development funds to support curriculum development for an online/interactive learning environment.

4.3.2 Initiate Policy Change through the Labour Market Partnership Agreement (LMPA)

The Canada-Ontario Labour Market Partnership Agreement (announced in November 2005) provides two year transition period during which the Province can identify and begin to implement ways to better manage economic transitions and support individuals in their effort to improve their economic and social circumstances. Under the LMPA, the Government of Canada will supplement the existing programs for EI-eligible individuals²⁴ with an additional \$1.368 billion over the next six years to fill key gaps in labour market programming, *by assisting individuals who are not eligible for EI programming*²⁵. Eastern Ontario would benefit from programming in every one of these areas.

²³ Each Access Centre is staffed by professionals who can assist students and lifelong learners in using different distance delivery technologies. Staff can also provide information on the programs and courses available in each community. In addition to having Internet access, all Access Centres are equipped with a variety of technologies including audioconferencing and e-learning capabilities as well as up-to-date computer workstations and peripherals for learners. Videoconferencing capability is available in 24 Access Centres.

²⁴ This funding goes beyond the approximately \$525 million spent annually by the Government of Canada under Part II of the *Employment Insurance Act* to support labour market programming for Employment Insurance (EI)-eligible clients in Ontario. The transfer of responsibility to the Government of Ontario for EI-eligible clients began on January 1, 2007, with a two-year transition period now in effect.

²⁵ Specifically, the Canada-Ontario LMPA contemplates action in six areas: expansion and enhancement of apprenticeship; labour market integration of recent immigrants; literacy and essential skills; workplace skills development (for instance, incentives to upgrade skills of existing workers); assistance for Aboriginal Canadians; and assistance for people facing labour market barriers (such as older workers, displaced workers and persons with disabilities). Source: <http://news.gc.ca/cfmx/view/en/index.jsp?articleid=185189>

Specific changes recommended by Eastern Ontario include:

- Local Priority Setting: The Province must move away from setting labour market priorities centrally, then expecting regions and communities to determine how to address those priorities. Instead, the priorities should be set at the local or regional level.
- Packaged Supports to Meet Individual Needs: Labour market programs must be redesigned to allow local staff to identify and apply the mix of supports needed by individuals to get them back into the workforce.
- Transportation systems Integrated into Program Design: For members of the labour force who live in rural areas and could benefit from retraining/skills development, the most serious barrier is often transportation. In the absence of public transit (which is rare in rural Eastern Ontario, in part due to insurance premiums which are beyond the financial capacity of most rural communities), trainees must try to find family, friends or private sector operators to address this issue. Compensation for transportation costs as part of retraining/skills development programs would have a significant impact on program uptake²⁶.
- Reduced/Eliminated Internal Segmentation of Program Funding: Many labour market programs have very narrow eligibility criteria. For instance, the program may be available only to individuals in a certain age group, or to those who are receiving social assistance or employment insurance. If the objective of these programs is to get as many citizens as possible back into the labour force, this internal segmentation of programs and resources should be reduced or eliminated, thereby allowing local staff to address the needs of a wide cross-section of the local labour force. This change would allow labour market programs to address transition issues earlier and more effectively.
- Expanded sources of funding for skills development and training: At present, the OMAFRA Rural Economic Development program appears to be the only source of skills development/training funds for business. Given that employers and employees alike contribute to EI revenues²⁷, from which labour market programs are funded, these programs should be redesigned to provide more significant incentives to employers to upgrade the skills of their existing employees and to train new ones. This is entirely consistent with the priorities identified under the Canada-Ontario Labour Market Partnership Agreement (LMPA) announced in November 2005. Under the LMPA, the Government of Canada will invest an additional \$1.368 billion over the next six years to fill key gaps in labour market programming, *by assisting individuals who are not eligible for EI programming*.

²⁶ The fledgling Rural Routes Transportation Service in Frontenac County is an example of the potential solution to the challenge of transporting students to and from local facilities for training and skills development.

²⁷ Federal Human Resources Minister Monte Solberg was recently advised that the Employment Insurance surplus had reached \$51 billion. Source: the Globe and Mail, February 21, 2007

- Help Single Industry Towns diversify; Particular attention must be paid to communities where the major base of employment is singular (most people working for one employer) and at risk. Rather than waiting until a plant closure is announced²⁸ in the “single industry town” provincial policy and programs should encourage communities and their employers to look ahead and begin providing resources for transition activity in advance of closure announcements. These actions could be traditional business retention initiatives, supports to local companies to attract world product mandates within their own corporate group, assistance to develop niche markets, or more novel non-sectoral approaches to supporting entrepreneurs.²⁹ For rural areas, 10 small businesses employing eight people each are *at least* as valuable to the local economy as one company employing eighty people.

Proposal 4.3.2-A: Eastern Ontario requests that the Province (through the Minister of Training, Colleges and Universities) pursue policy changes through the Labour Market Partnership Agreement that will

- **Ensure local/regional priority setting for labour market programs**
- **Enable staff to package supports to meet individual needs**
- **Integrate transportation into program design and supports offered to service recipients**
- **Reduce or eliminate internal segmentation of programs**
- **Expand the sources of funding for skills development and training of existing employees by private sector businesses, and**
- **Help single industry towns diversify by nurturing ideas from within the community.**

²⁸ The Ministry of Training Colleges and Universities has rapid deployment teams which can be put in place in layoff/closure situations. The Ministry of Economic Development and Trade has a Community in Transition program. These programs should be working in tandem and preferably be initiated long before the community is affected by a significant corporate change.

²⁹ For example, true enterprise facilitation as demonstrated in “Ripples from the Zambezi” by Ernesto Sirolli, 1999

4.3.3. Design Educational Funding to Reflect Circumstances in Rural Areas

Designing and delivering education in rural areas is a different enterprise than in urban centres. Whether at the primary, secondary or post-secondary level, the formal education system must deal with dispersed populations, significant travel and transportation issues, and diverse economies with relatively modest student numbers (compared to urban institutions).

In Bob Rae's discussion paper on higher education, he notes that institutional renewal is especially challenging for colleges of applied arts and technology (community colleges) "especially in Northern and rural communities". He noted that colleges were established – and are expected by employers and their communities – to provide education that focuses on meeting labour market needs through practical vocational study within particular geographic areas. These offerings could range from apprenticeship and skills training to applied degrees. At the same time, students and employers look for specialized programming to respond to ongoing skills shortages and demand for higher and unique skills sets.³⁰ These multiple mandates are difficult to manage in a densely populated, homogeneous community let alone an area with dispersed and diverse populations and economies.

In rural areas, *access* to higher education often requires post-secondary institutions to set up multiple campuses. Eastern Ontario has five multi-campus institutions³¹; between them, these institutions have campuses in 15 different communities. Clearly, the cost structures of multi-campus institutions are different than for a single campus school. Funding formulae for both operating and capital grants should reflect the different cost structures for institutions of this type.

All of the colleges, universities and the many private training facilities in the region are part of Eastern Ontario's territorial capital. The region should utilize existing college and universities as a platform for workforce development and continuing education *in a particular region*. The contribution to regional economic development will not be the entire mandate of these institutions but it should be one of the most important responsibilities (see Section 4.3.1)

Proposal 4.3.3-A: Eastern Ontario requests that the Province adjust funding formula for both operating and capital purposes for post-secondary education institutions with multiple campuses.

Proposal 4.3.3-B: Eastern Ontario requests that the Province provide specific incentives to community economic development (CED) agencies in rural Eastern Ontario to support the development and implementation of educational services that meet identified CED needs.

³⁰ Higher Expectations for Higher Education, Discussion Paper, Bob Rae, 2004, page 21

³¹ Sir Sandford Fleming (4 campuses), Loyalist College (3 campuses), St. Lawrence College (3 campuses), Algonquin College (3 campuses) and the University of Guelph has two of its four campuses in Eastern Ontario.

4.3.4. Broaden the Approach Taken To Innovation by MRI

Based on advice and recommendations from the Ontario Research and Innovation Council (ORIC), the recently released Strategic Plan from the Ministry of Research and Innovation suggests that the overarching goal of the Ministry is to create a culture of innovation in Ontario. The Plan notes that at present, the relationships between industry and academia are “relatively weak”, which is viewed as one reason why despite universities’ success at spinning out start-up companies, few of them grow into major Ontario-based businesses. The Plan signals a move to creating more networks of excellence with a research intensive institution at the hub, as well as further efforts to address the ongoing challenges of access to venture capital.³²

As the Ministry finalizes its Strategic Plan, Eastern Ontario hopes that the Ministry of Research and Innovation (both within the ministry and in relation to other provincial ministries) will 1) include community colleges (along with universities) in the applied research agenda of the province and 2) encourage the active participation of stakeholders beyond publicly-funded research institutions in bringing forward new product and service ideas which could contribute to the creation of an innovation culture and ultimately, to the growth and prosperity of the provincial economy

Proposal 4.3.4-A: Eastern Ontario requests that the Province (through the Ministry of Research and Innovation) encourage the direct involvement of stakeholders beyond publicly-funded research institutions in any networks formed to create a culture of innovation in Ontario.

4.3.5 Anticipate Demographic Change

From an economic development standpoint, much of the provincial (and indeed the federal) government’s demographic analysis looks only at migration *out of* rural areas, or workers living in rural areas but working in urban areas. In fact, the latter phenomenon is the basis for the definition of metropolitan influence zones (the degree to which workers in rural areas commute to nearby urban areas for work). Statistics Canada data from the 2001 census, which forms the basis for most demographic analyses and projections, is now seriously out of date. However, there are anecdotal indications that some counterbalancing migratory patterns have begun to unfold in rural Eastern Ontario. The release of the 2006 census data should be studied carefully and jointly by provincial and regional authorities to identify any emerging trends that could be the basis for new policy directions on the human capital front.

³² Source: <http://www.mri.gov.on.ca/english/strategy/documents/strategyPlan.pdf>

Some out-migrants want to return to the area later in life; often, they want to leave urban areas at various stages of their lives (for example, when they are starting a family, making a career change – perhaps in conjunction with an early retirement, or at a more traditional retirement time). Rural areas like Eastern Ontario have an opportunity to attract new residents. Anecdotal information suggests that some of these people move to a rural area, bringing capital and a business idea with them. This apparent trend could be amplified if the services they need to develop their ideas or contribute expertise were close at hand.

Physician (or other health care professional) recruitment initiatives could be considered as an example of the type of program that should be designed and introduced specifically for rural areas. For instance, just as some communities strive to provide facilities and other incentives to attract physicians, other communities might choose to recruit other types of health care professionals or individuals with particular skill sets and experience to support development of a particular economic sector. .

Basic demographic analysis would be the first step in designing specific programs to capitalize on these opportunities.

Proposal 4.3.5-A: Eastern Ontario requests that the Province join the region in an analysis of demographic trends across the region and assessment of provincial policy implications, once the relevant data from the 2006 census is released.

4.3.6 Include Eastern Ontario in Immigration Strategies

While the settlement patterns of immigrants to Ontario are well-known (historically, they have settled disproportionately in major urban centres), Eastern Ontario would welcome involvement of stakeholders in rural areas as active partners in immigration and settlement strategies that encourage at least some of those who arrive in Ontario to consider locating in the region. Like many urban areas, Eastern Ontario faces significant labour shortfalls as the existing population ages, then retires. Similarly, immigrants possess many skills that are in short supply in rural areas, either because of out-migration or lack of training services. These capabilities range from skilled trades to health care professionals and business managers.

Eastern Ontario's success in being a welcoming environment for immigrants will depend on a better appreciation of the needs and expectations of new arrivals, and a conscious effort to address them. In particular, there is merit in understanding more about the communities from which the new arrivals have come (if they have come from a rural area or small town, they may prefer a new home that has the same lifestyle), their employment prospects and their ability to access services – including relationships with others from similar cultural backgrounds – with relative ease. While Eastern Ontario has already had an opportunity to participate in an immigration familiarization tour (through the Ministry of Economic Development and Trade), this is just one example of the role that rural areas can play in provincial and federal immigration programming. The region expects to hear more about and have ongoing opportunities to participate in such initiatives undertaken by any of the provincial Ministries.

Proposal 4.3.6-A: Eastern Ontario requests that the Province include this region in any immigration-related initiatives undertaken by Ontario ministries.

4.4 Design Programs that Reflect the Scale and Financial Resources of Eastern Ontario

As is abundantly clear from the *Regional Data Set* report, on average, personal and household incomes in Eastern Ontario are lower than in Ontario's major urban centres. Further, the commercial and industrial tax base is smaller in Eastern Ontario than in Ontario's urban centres or western Ontario. These two circumstances pose significant limitations on Eastern Ontario's near-term capability to make significant financial investments or to pay for services. Policy decisions that recognize the limited scale and financial resources of Eastern Ontario will have a major impact on the region's ability to help itself en route to economic prosperity.

4.4.1 Introduce a One-Stop Access Point for Rural Ontario

Stakeholders in rural areas, especially in Eastern Ontario, rarely have the human resources available to seek out and piece together all possible funding sources or financing options for desired initiatives. As a result, rural areas cannot compete for funding from upper levels of government that would support initiatives that are just as sound as proposals coming forward from other parts of Ontario. In addition, stakeholders in these areas often do not have access to ministerial staff that could help them evaluate the degree of fit between the funding program and the specific initiative contemplated. As a result, communities that are already disadvantaged economically become even more so as they miss out on opportunities to secure the financial resources with which to change their circumstances. This situation can be rectified in several different ways:

- Provide resources to local organizations to improve awareness of and access to programs that would benefit their communities.
- Designate or create a single entity (a one-stop agency) that can act as a resource/ advocate for local agencies and organizations, helping them to access a range of programs created and operated by multiple agencies or Ministries.
- Collapse many of the existing programs, each of which deals with a piece of the economic/social development challenge, into a single program for rural regions and deliver the program through one organization charged with this responsibility

Proposal 4.4.1-A: Eastern Ontario requests that the Province designate or create a single organization to serve as a one-stop access point for rural Ontario. Because of the presence of the Rural Economic Development Program within OMAFRA, and the success of this program in meeting the needs of rural Ontario, Eastern Ontario recommends that OMAFRA’s Rural Development Division be designated as the “one-stop” access point for rural Ontario and provided with the human and financial resources to track programs and funding opportunities, and serve as an information resource for rural areas.

4.4.2 Rethink the One-Size-Fits-All Program Approach

For rural areas seeking acknowledgement of and responsiveness to the special characteristics associated with service delivery in rural areas, it is not clear if the region is better off seeking the creation of a particular program designed for rural areas, or to be have the special circumstances of rural areas taken into account within a program that is available to urban and rural areas alike. One point is clear: “one-size-fits-all” program design does not meet the needs of rural areas, including Eastern Ontario.

While urban areas need support from upper levels of government – for instance for infrastructure investments – programs that purport to be for rural areas but are open to communities of up to 250,000 in population (or even larger) will be designed to meet the needs of and end up allocating a large share of resources to the larger communities. COMRIF is an example of this: billed as a municipal rural infrastructure fund, the program is actually open to municipalities with populations of up to 250,000 and the program description now notes that the program is for “small urban and rural municipalities”³³. Yet most Ontario communities (75 per cent) have populations of less than 10,000 persons³⁴. In fact, Ontario only has five communities (cities) with more than 250,000 in population. As a result, it could be said that programs using the 250,000 population threshold are not “rural” at all.

Many funding programs open to urban and rural areas alike place rural areas in a disadvantageous position by internal earmarking of significant shares of the funding for specific types of investments which are found less often in rural areas. Some observers refer to the ease with which government departments “zone in” on the needs of more urbanized areas as the “perimeter mentality”³⁵. Capital funding for hospitals and institutions of higher education, and research funding for public institutions are good examples. These are necessary investments and often serve rural as well as urban needs, but by the time these “preferred” investments make their call on what seemed to be a large commitment to local infrastructure, there are few resources left for the types of infrastructure so vital to rural communities.

Although insufficiently funded to address the needs of rural Ontario, OMAFRA’s Rural Economic Development Program has emerged as an especially effective mechanism for supporting economic development in Eastern Ontario. The RED program is specifically designed to 1) support local solutions, 2) engage local partners in community initiatives, and 3) serve as a flexible tool for economic development. The program will support community revitalization, improved access to health care services, improved access to skills development and enhancement opportunities, new community development tools, initiatives intended to lead to sustainable rural economies, improved business opportunities, and new and enhanced community partnerships and teamwork. Given the breadth of opportunities that may be pursued through the RED program, it should either be expanded (given more resources) or used as a model for designing other programs for rural development.

Proposal 4.4.2-A: Eastern Ontario requests that the Province either increase the resources to the OMAFRA RED program or use the program design as a model for other rural development programs.

³³ Source: <http://www.comrif.ca/eng/default.asp>

³⁴ Three quarters of Ontario’s 575 communities (towns, townships, cities etc.) have fewer than 10,000 residents; 140 communities have more than 10,000 residents. Of these, 20 have more than 100,000 residents. Only five have more than 250,000 residents. Source: Statistics Canada community profiles

³⁵ Presentation by Christine Burton, Director, Rural Policy and Strategic Development, Rural Secretariat, Agriculture and Agri-Food Canada in Rural Lens: Focusing on Rural Ontario, at OGRA/ROMA, February 26, 2007

Proposal 4.4.2-B: Eastern Ontario requests that when “universal” programs are created/announced, the Province create internal funding envelopes for communities of different sizes, to ensure that smaller communities are not overlooked in funding decisions.

4.4.3 Modify the Alternative Financing and Procurement Process for Rural Areas Such as Eastern Ontario:

The Alternative Financing and Procurement (AFP) process, which is designed to help increase the financing available to municipalities for infrastructure investments, appears to work well in parts of Ontario with large pools of private capital and firms with the capacity to undertake large infrastructure projects. However, these assumptions are not valid for many parts of the province, especially rural areas with (relatively) small projects to execute. All financing options – from tax increment financing and special bond issues – must be considered.

Proposal 4.4.3-A: Eastern Ontario requests that the Province enter into a collaborative initiative to review provincial financing tools with the objective of determining ways to adjust these tools to meet the needs of rural municipalities.

Proposal 4.4.3-B: Eastern Ontario requests that the Province recognize the financing challenges of rural municipalities by creating specific mechanisms through which these municipalities can access financing. In particular, Eastern Ontario requests that the Province assist in setting up:

- A \$20 million per year Eastern Ontario Prosperity Fund through which to finance infrastructure and community development programs. The Fund will be administered by a regional organization designated by the Province to make allocation decisions in the best interests of the residents of Eastern Ontario.
- An Eastern Ontario Grow Bond Program to help small and medium sized businesses to retain or create new jobs through the expansion or establishment of new businesses. The program will provide residents of Eastern Ontario with the opportunity to invest in a safe, competitive savings instrument, while actively contributing to the economic future of the region.

4.4.4 Address Variations in Commercial and Industrial Education Taxes

As a result of the Province's 1998 decision to freeze historic spending levels by school boards in Eastern Ontario, businesses in this region are at a significant competitive disadvantage compared to colleagues in other parts of Ontario. The Eastern Ontario Wardens Caucus has raised this issue with the Province on several occasions including in pre-budget submissions (www.cowc.org). And this disadvantage is something no amount of productivity improvement or increase in efficiency of service delivery can change. If all parts of Ontario are to have a "level playing field", the Province must address the issue.

Proposal 4.4.4-A: Eastern Ontario requests that the Province address the inequities in commercial and industrial education taxes applied to businesses in this region.

4.5 Redress Situations of Responsibility without the Resources To Deliver

For more than a decade now, local governments have been struggling to cover the costs of what are truly provincial services but which municipalities have been made progressively more responsible. The current provincial government has begun to correct this situation by moving toward true 50/50 funding for land ambulance services and providing additional transfers to local government.³⁶ The announcement of the Provincial-Municipal Fiscal and Service Delivery Review (August 2006) is another step in the right direction. However, as Minister of Municipal Affairs and Housing, the Hon. John Gerretsen noted at OGRA/ROMA 2007, “much more needs to be done”. Specifically, the Province must:

4.5.1 Work With Municipalities to Address the Fiscal Capacity Gap

There is a well-documented \$3 billion gap between what municipalities pay for provincial services such as public health, ambulance, social assistance, seniors services, child care and social housing, and what the province provides to municipalities in funding. Ontario’s approach – requiring municipalities to subsidize provincial programs – is not good public policy and it is not financially sustainable. This gap must be addressed through the Provincial-Municipal Fiscal and Service Delivery Review.

Proposal 4.5.1-A: Eastern Ontario requests that the Province ensure that the \$3 billion gap for provincial health, social services and income redistribution costs is addressed as part of the Provincial-Municipal Fiscal and Service Delivery Review.

4.5.2 Download Responsibly; Otherwise Take the Service Responsibility Back

The tendency to pass provincial legislation then offload service delivery and enforcement responsibilities to local government must end. While the specific terms and conditions associated with a range of service delivery issues will undoubtedly be discussed in detail through the Review, it is Eastern Ontario’s view that enforcement of provincial legislation and maintenance of new systems/services should only be downloaded when 1) it is clear the service is strictly local, and 2) the download is accompanied by an *ongoing* commitment to funding sufficient to cover the associated costs.

³⁶ The Province has also recognized and accepted its responsibility to bear the largest share of costs for hospital reconstruction by moving the provincial share of capital investment from 50 to 75 per cent. This is a significant decision for communities that would otherwise have serious difficulty in raising their share of the funds needed to redevelop these vital public services.

Although the passage of the Ontario Clean Water Act was accompanied by several initial signals that the province was accepting its responsibility for the costs associated with this legislation, municipalities fear that ultimately, they will be responsible for enforcing this legislation, but without the financial resources to do so.

Proposal 4.5.2-A: Eastern Ontario requests that the Province cease and desist from any further downloading of service delivery responsibility until the Provincial-Municipal Fiscal and Service Delivery Review has completed its work, expected in the spring of 2008.

4.5.3 Introduce a New Payment-in-Lieu Program for Crown Land

Eastern Ontario is calling for the Province to negotiate a new payment-in-lieu arrangement for municipalities within whose borders are found significant area of Crown lands. We envisage an annual payment which recognizes that municipalities maintain roads and provide emergency services for large tracts of land owned by the Province, from which it extracts considerable annual revenues (estimated to exceed \$100 million per year). The Province must consider this payment as a cost of doing business in the natural resource sector.

Proposal 4.5.3-A: Eastern Ontario requests that the Province enter into negotiations with Eastern Ontario municipalities to develop and implement a new payment-in-lieu program for Crown land.

4.5.4 Increase Payments-In-Lieu of Taxes for Provincial Facilities

Payments-in-lieu for provincial institutions such as hospitals, colleges and universities are significantly below what private or other public enterprise pay in taxes to local government. Yet these same institutions place significant demands on local services (examples: waste management services, water and sewer services, and public transit and transportation systems). The Province should review and increase these payments as one way of helping local government ensure that the services required by provincial installations are paid for by the user.

Proposal 4.5.4-A: Eastern Ontario requests that the Province increase significantly the payments-in-lieu provided to municipalities for the service requirements of provincial facilities such as hospitals, colleges and universities.

4.5.6 Provide Incentives for Environmental Stewardship

Given that most of the resources that the Province wishes to protect for future generations are in rural areas, and in Eastern Ontario are often privately owned, Ontario should consider the introduction of policies and programs which provide strong incentives to local communities and landowners for environmental stewardship which goes beyond the stewardship that might reasonably be expected of a landowner. For instance, where stewardship would go beyond the expectations of a private landowner to achieve provincial environmental objectives (ex. preservation of natural ecological services such as carbon sequestration, plantings to reverse soil erosion, wetland water quality remediation, provision/protection of habitat for regeneration of fish and wildlife stocks), incentives to the landowner would be in order.

Proposal 4.5.6-A: Eastern Ontario requests that the Province incorporate incentives to private landowners for environmental stewardship in provincial policies and programs designed to achieve provincial environmental objectives.

4.5.7 Rethink Approach to Liability in Negligence Act:

Section One of the Negligence Act includes municipalities as a party which could be named for the purposes of joint and several responsibility. In a misguided belief that municipalities have “deep pockets”, those undertaking lawsuits to settle accounts are more likely to include municipalities. Even before the lawsuits begin, municipal insurance premiums will increase as insurers protect themselves against the likelihood that municipalities will be named in at least some of the suits. In an effort to protect their communities from being inappropriately named in lawsuits, municipalities are likely to apply extra caution when considering partnerships since the actions of a party which is not part of ongoing municipal operations could expose the municipality to unwarranted legal actions. At a time when collaboration and cooperation is so important to advancing projects vital to the long-term health of the community, this is not the direction in which municipalities should be forced.

Proposal 4.5.7-A: Eastern Ontario requests that the Province repeal Section One of the Negligence Act to remove municipalities from the Act for the purposes of joint and several responsibility.

4.6 Use Policies and Programs to Build Urban-Rural Linkages

There is significant evidence to suggest that rural areas which are adjacent to urban ones are affected by those urban economies. The most significant impact appears to be the provision of employment in the urban centre for members of the labour force from the rural area. Average incomes in rural areas close to urban areas tend to be higher than in more distant rural areas. It is not yet clear whether rural areas close to urban ones are able to grow or attract business more easily than more distant rural locales. To ensure that urban-rural linkages translate into economic benefits for both areas, the Province is encouraged to pay particular attention to rural infrastructure and the development of business services in these areas that will allow rural areas to capitalize on their assets en route to sustainable local economies – just as their urban counterparts do.

4.6.1. Ensure Broadband Connectivity

Stakeholders in Eastern Ontario have gone to great lengths to document the state of broadband service (or lack of it!) and to establish credible cost estimates to resolve the issues. As is noted in Section 4.2, this is a clear case of market failure: the private sector will not step in to develop these services without some measure of public support. Eastern Ontario is calling on the Province of Ontario to support regional efforts to introduce broadband as the first step in allowing rural areas to:

- Compete with and partner with urban areas on a more level playing field across a wide range of economic sectors from agriculture and tourism to retail and business services.
- Contribute to solutions in urban areas (ex. rural home-based businesses that take vehicles off congested urban roadways and reduce greenhouse gases from transportation, reduced service requirements in urban areas).

[See Section 4.2.2 for proposals related to broadband]

4.6.2 Integrate Transportation Linkages

The Regional Data Set report notes the extensive territorial capital present in Eastern Ontario – territorial capital that could be brought to bear in the service of the Ontario economy. Transportation linkages, from deep sea ports and rail lines to major highways and border crossings, are currently underutilized resources. For example, Eastern Ontario has excellent access to the St. Lawrence Seaway, has border crossings into the U.S. and Quebec, and deep sea ports from which lake crossings to/from the U.S. are possible. By integrating these services into the provincial transportation network, Eastern Ontario could knit Eastern Ontario into the fabric of the provincial economy, helping to achieve both regional and provincial prosperity targets. At the same time, Eastern Ontario could take at least some pressure off highly-stressed border crossings in Western Ontario.

To this end, Eastern Ontario is interested in considering opportunities for transportation collaboration between Ontario, Canada and the United States (New York State). The recent work undertaken by the Ministry of Economic Development and Trade in collaboration with the Ontario East Economic Development Commission was undertaken with a particular focus on the needs of Eastern Ontario's automotive sector; the findings are also likely to be transferable to some degree to other economic sectors in Eastern Ontario.

Proposal 4.6.2-A: Eastern Ontario requests that the Province (through the Ministry of Transportation) undertake a collaborative initiative through which the region and the Province would develop a regional transportation master plan for Eastern Ontario. The plan would tie together:

- The 401 corridor, other 400 series highways, and Highway 7 as a development corridor connecting Toronto, Ottawa and the Province of Quebec
- Highways 17 and 416 will serve as a key north-south corridor with north-south arterial roads and bridges connecting Highway 7 and 401 at various points across the region. Municipalities can then link local road systems into this regional grid.
- Border crossings into the U.S. (three fixed crossings plus one water-based crossing via Wolfe Island)
- A lake-based marine strategy, capitalizing on deep sea ports to move bulk materials both directions across Lake Ontario. This effort could also contribute to Ontario's greenhouse gas reduction strategy.
- Rail service expansion, particularly spur lines that will allow manufacturers close to the main lines to access this transportation service.
- Air services, including Ottawa International Airport and smaller regional airports (ex. Kingston, Peterborough)
- Multi-modal freight systems which combine road, rail and water shipping to deliver goods to market as quickly and efficiently as possible.

4.6.3 Broaden Provincial Thinking on Places to Grow

The Province's efforts to protect nearly two million acres of high-quality agricultural lands and green space are commendable. However, beyond the principle of development infill for the GTA, there are other "places to grow". Eastern Ontario encourages the Province to move beyond the preoccupation with urban congestion in the GTA to consider the aspirations of other communities, including those in Eastern Ontario that are beginning to see inward flows of population with specific lifestyle and service expectations. It is time to begin the planning processes that will guide appropriate growth and development east of the Greenbelt. Eastern Ontario municipalities and other stakeholders are eager to work with the Province to implement principles articulated in the Provincial Policy Statement in ways that enable their communities to achieve their development potential.

- Multiple counties wait on the perimeter of the Greenbelt to pursue their own growth aspirations. Moving the Highway 407 eastward extension up the Province's investment priority list would send an important signal to those communities concerning their prospects for future growth.
- Other counties wait on the perimeter of Ottawa and along Highways 7, 401 and 416 to press forward with their plans for growth. To some extent, these transportation connections are already serving as development corridors. A conscious effort will be needed to ensure that future development is in keeping with urban and rural expectations and aspirations.
- Across Eastern Ontario, particular small urban centres are well-situated geographically and in terms of their size relative to neighbouring rural areas to serve as a developmental node for part of Eastern Ontario. Growth planning for Eastern Ontario should consider the roles that these communities might play.
- A truly pan-provincial approach to growth management would provide an opportunity to introduce additional land-use and service planning expertise to rural areas already facing pressures due to in-migration from nearby urban areas, either on a seasonal basis or more commonly, on a permanent basis. Provision of advisory services to local government through a regionally-designated resource funded through the Ministry of Municipal Affairs and Housing could yield positive results for both the Province and local government.

Proposal 4.6.3-A: Eastern Ontario requests that the Province initiate the next phase of Places to Grow planning, focussing on Eastern Ontario. Eastern Ontario expects that this planning process will be collaborative in nature, ensuring that communities in the region have ample opportunity to shape their own destinies within the framework of the Provincial Policy Statement.

Proposal 4.6.3-B: Eastern Ontario requests that the Province begin the process of interpreting good planning principles to Eastern Ontario's growth aspirations. In particular, Eastern Ontario requests the assignment of an individual with land-use and service planning expertise funded through the Ministry of Municipal Affairs and Housing, with support from the Ministry of Public Infrastructure Renewal, to assist local governments with policy development to deal with growth pressures already in evidence as well as those to come.

4.6.4 Develop a Waste Management Strategy that Meets Urban and Rural Needs

An urban-rural strategy is needed to deal with waste management issues, especially landfill operations. A thoughtful long-term solution to "waste" is required. In some cases, advanced environmentally-benign technologies are available to convert wastes into useful products (such as energy). However, a proactive approach is needed by the Province to determine which technologies might be appropriate to which circumstances. Because it is an issue that spans the province, leadership should come from the Province. For its own purposes as well as because the only remaining locations for landfill sites are in rural areas, Eastern Ontario has a major interest in being part of crafting a provincial policy on these matters.

Proposal 4.6.4-A: Eastern Ontario requests that the Province develop a comprehensive waste management strategy which includes diversion from landfill (to recycling or reuse), and utilization of new environmentally safe technologies to render hazardous materials harmless and convert them to usable form or to a source of energy. Further, Eastern Ontario requests that the Province develop financial incentives to encourage the introduction/adoption of measures contained in the waste management strategy.

4.6.5 Encourage Commercialization Organizations to Take on Broader Mandates

Empower and fund organizations with commercialization expertise to seek out/advance innovations that come from university/college research *as well as* community-based entrepreneurs in SMEs, large business enterprises, and other public institutions. To some extent, this is now happening through the ONSett program but participation is still focused only on public sector institutions. Availability to these types of business support services are often a weakness in rural areas, including in Eastern Ontario. Extending the service from an urban to a rural area – with compensation – would help to bridge this gap.

Proposal 4.6.5-A: Eastern Ontario requests that the Province encourage and provide incentives to organizations with commercialization expertise to expand their service areas to include both the public and private sector, particularly SMEs.

Appendix A:

Organizations consulted in the preparation of the Eastern Ontario Prosperity Plan include:

Member Organizations – Eastern Ontario Wardens Caucus

- Hastings, County of
- Lennox and Addington, County of
- Frontenac, County of
- Haliburton, County of
- Lanark, County of
- Kawartha Lakes, City of
- Peterborough, County of
- Renfrew, County of
- United Counties of Stormont, Dundas and Glengarry
- United Counties of Leeds and Grenville

Community Futures Development Corporations:

- Frontenac CFDC
- Grenville CFDC
- Haliburton CFDC
- Kawartha Lakes CFDC
- Northumberland CFDC
- Peterborough CFDC
- Prince Edward Lennox CFDC
- Renfrew CFDC
- Stormont, Dundas, Glengarry CFDC
- South Lake CFDC
- Trenval CFDC
- Valley Heartland

Post-Secondary Education Institutions and Local Training Boards:

- St. Lawrence College
- Sir Sandford Fleming College
- Trent University
- University of Guelph – Kemptville Campus
- Queen's University
- Workforce Development Boards – Peterborough, Belleville, Gananoque and Cornwall

Separated Cities:

- Belleville, City of
- Cornwall, City of
- Kingston, City of
- Peterborough, City of
- Smiths Falls, Town of
- Quinte West, City of

Province of Ontario:

- Ministry of Agriculture, Food and Rural Affairs
- Ministry of Economic, Development and Trade
- Ministry of Municipal Affairs and Housing
- Ministry of Natural Resources
- Ministry of Public Infrastructure Renewal
- Ministry of Tourism
- Ministry of Transportation
- Eastern Inter-ministerial Committee
- Inter-ministerial Committee on Ontario's Rural Plan

Associations:

- Ontario East Economic Development Commission
- Association of Municipalities of Ontario (AMO)
- Rural Ontario Municipal Association (ROMA)

Government of Canada:

- Agriculture and Agri-food Canada (Rural Lens)
- Industry Canada - FedNor