

## Small town meltdown

In the past two years, communities in Eastern Ontario have lost more than 6,000 manufacturing jobs. The ripple effect is huge: Young people leave to find work, the municipal tax base plummets -- and without a push to adapt to the new economic reality, some fear, a way of life will be lost forever.

### Mohammed Adam

The Ottawa Citizen

Monday, December 08, 2008

Growing up in Cornwall, Michael Martel watched the good times roll in Eastern Ontario as a vibrant manufacturing sector fuelled growth and prosperity. "Everywhere you looked, there was a plant. There were jobs, there was lots of money and everyone had a great life," Mr. Martel recalled. But today, as the 60-year-old mortgage broker watches a spate of factory closings ravage small-town Eastern Ontario, he wonders whether the future will ever be as good as the past he once knew.

"Are we going to survive in the traditional manufacture of shirts and ties and boots and plastic piping? No, we are done. We can't compete with the Third World countries," said Mr. Martel, president of the Prescott and District Chamber of Commerce. "All small towns in Ontario and Canada in traditional manufacturing are in trouble. Unless they change, they are going to become ghost towns."

While public attention is focused on the manufacturing meltdown in southwestern Ontario, Eastern Ontario is also hurting.

Between last year and October this year, Ontario's eastern heartland lost more than 6,000 manufacturing jobs,



CREDIT: Julie Oliver, the Ottawa Citizen  
 Bill Hall, second from right, co-owner and president of the Opeongo Forestry Service/Sawmill in Renfrew, employs, from left, Heng Ly, Chris Coulterman and Bruce Periard. He used to employ 15 people, but reduced his workforce after the closing of two plants in the area. The 78-year-old, who has been in the industry for 50 years, has now given himself until Christmas to sell or close down the business. 'There's always been ups and downs, but it has never been this bad,' he said. 'It is not a good situation to be in.'

shattering many dreams. Over the past three years, small, one-factory towns across Eastern Ontario have been hit with job cuts as devastating as those in southwestern Ontario communities.

? The Cornwall area, once the master of the seaway economy, has been the hit the hardest, losing more than 3,000 jobs. Domtar alone shed more than 1,000 jobs when its pulp mill finally closed in 2006.

? For years, Prescott's famed Hathaway shirt outlet offered bargains that drew thousands to the small border town. But the plant, which once employed nearly 200 people, finally closed its doors and the last 53 jobs were lost. Companies like inkmaker Siegwark, and more recently plastic pipe-maker Rehau, have also left town, with close to 100 jobs in tow.

? In Chesterville, Nestlé shut down its operations, ditching 300 jobs in a village that for nearly 90 years was synonymous with the dairy producer.

? The iconic Hershey chocolate plant in Smiths Falls is closing, with the loss of 500 jobs.

? In tiny Haleys Station, near Renfrew, a Timminco magnesium plant which, at its peak, employed about 500 people, closed for good in August.

? In Pembroke, where Smurfit-Stone had already closed its corrugated container plant with the loss of 139 jobs, ATC Panels in nearby Laurentian Valley Township announced recently that it will lay off 130 workers at its fibreboard plant.

Prescott Mayor Suzanne Dodge says the plant closings are particularly hard on the small towns that sprinkle Eastern Ontario. The plants are usually the mainstays of area economies and their closings have bigger ripple effects there than those in larger cities, particularly on municipal coffers. Ms. Dodge says Prescott, where RCA once employed 1,200 people, has lost 21 per cent of its industrial tax base in a decade.

"In small towns, the impact is greater because, in some cases, you have husband and wife working in the same plant. And it puts a real strain on the tax base," Ms. Dodge says.

Del Muisse, a Carleton University public history professor, says what's happening in Eastern Ontario is reminiscent of what happened in eastern Canada several decades ago, and Ontarians should brace for the worst.



CREDIT: Julie Oliver, The Ottawa Citizen  
Michael Martel, president of the Prescott and District Chamber of Commerce, says a strong dollar is only one of the problems affecting the wounded manufacturing sector. The tight credit market, he says, makes it very difficult for businesses and individuals to get money, something he knows first-hand as a mortgage broker.

"The same thing that happened in the Maritimes is going to happen in small-town Eastern Ontario," said Mr. Muise, an expert in Maritimes history.

He notes that the manufacturing industry in the Maritimes collapsed mainly because the captains of industry found new opportunities in Central Canada to consolidate their business and maximize profits. He says there is a cruel irony in what's happening in Ontario today.

"The problem in the Maritimes was not that manufacturing was running off to Mexico. It was running off to Ontario," Mr. Muise said. "It was a kind of consolidation of capital in which central Canadian manufacturers acquired regional manufacturers and gradually closed them down as they consolidated production in large plants in industrial Ontario, which is now facing exactly the same problems."

In the Maritimes, many towns "hollowed out" as the younger, more productive population moved to places like Toronto and Hamilton in search of jobs and better lives. The same thing could happen in small-town Ontario, Mr. Muise says.

"The biggest single consequence is that working-age people, and people who are likely to be fertile and make babies, begin to disappear and with that comes population stagnation and social dislocation," he said. "People are already leaving. I am sure that for every Cape Bretoner that there is in Alberta, there are two people from Ontario."

Renfrew has lost 1.2 per cent of its population since 2001, while in Perth, the population decreased 1.6 per cent. Smiths Falls lost four per cent of its population even before Hershey's decision to shut down the chocolate plant. Cornwall's population grew only 0.7 per cent; the provincial average was 6.6 per cent.

Mr. Muise acknowledges that larger cities like Ottawa and Toronto can weather the storm, but it is much harder for smaller communities. Because of their limited resources and inability to diversify, they would find it more difficult to prevent the migration of productive citizens to greener pastures.

In Renfrew, the town that bears the name of Ontario's largest county, some laid-off workers are considering moving.

Bob Kelly, Jamie Ferguson and Doug Zimmerling were among the last to be laid off when the Timminco foundry shut down. But with no work nearby and young children to take care of, two of them are weighing job opportunities in northern Ontario. It would mean dividing their time between the job and the family back home, but there is no alternative.

"It is stuff a lot of us will be looking at. I will, anyways," Mr. Kelly said.

While manufacturing is big in Renfrew County, generating more than \$400 million annually in economic activity, forestry is king. That industry generates close to \$2 billion annually, but trouble hit this summer when a pulp mill in Portage-du-Fort in Quebec closed down. More than 200 jobs were lost at the Quebec mill, but the reverberations were far greater in Renfrew County. Most of

the wood produced in the area is trucked to the Quebec mill and its closing suddenly put about 1,000 jobs in logging, trucking and milling in jeopardy.

At the Four Corners in Chenaux village, down the road from the mill, they are feeling the pinch. The roar of the massive 18-wheelers as they barrel down the county road toward the mill, laden with logs and lumber, always meant brisk business at JR's Country Store. But not lately.

Bill Hall, a 78-year-old Renfrew logger and sawmiller who has been in the industry for 50 years, says he has never seen it so bad. Mr. Hall owns about 6,000 acres for logging, as well as a sawmill. About 85 per cent of what he produces has gone to the Quebec mill or another fibreboard plant in Pembroke, which has also closed. He has invested about \$1 million in equipment, but now he is thinking of closing down the business. He has already reduced the workforce at the sawmill to three from 15 while he considers his options. He is negotiating with a mill in Thurso, Que., to take whatever logs and lumber he produces, but doesn't see that as a long-term solution because distance makes it uneconomical.

In the meantime, he is piling up logs in the forest. Soon, he may have to stop logging if he can't find takers. His biggest worry is paying thousands of dollars in taxes on his land even as it sits idle. He has given himself until Christmas to sell or go bust. He says many sawmillers are in the same boat.

"There's always been ups and downs, but it has never been this bad. It is not a good situation to be in," Mr. Hall said.

"Manufacturing in the forest sector is in a tailspin and rural Canada is getting wiped out," added Dave Cole, president of the Communications, Energy and Paperworkers union. "The federal government has to intervene."

## The collapse

With Ontario's manufacturing sector accounting for 18 per cent of the province's gross domestic product and 14 per cent of its employment, the global recession and retrenchment hit hard where it hurts the most. The perfect storm of a high Canadian dollar, equally high oil prices and a weak U.S. market have cost the province more than 200,000 manufacturing jobs since 2004, most of them in southwestern Ontario.

But Mr. Martel says Ontario's fall from economic powerhouse to "have-not" province that is now about to receive equalization payments was a slow process that should have been anticipated and avoided. Successive governments failed to realize that in a free-enterprise system, capital will go where it is cheapest to produce goods and services. Ontario was slow to react to the emerging threat of countries like China and Mexico, whose cheap labour offered the big manufacturers a chance to redeploy their capital and maximize profits.

"We rested on our laurels and were slow to react. We sat on the sidelines watching as the developing economies took business away from us," Mr. Martel says.

The problem has become so debilitating, politicians are now considering all manner of rescue packages to pull the manufacturing sector out of the abyss. In the U.S., White House and congressional negotiators yesterday were trying to hammer out an agreement in principle to provide the three major domestic car manufacturers with at least \$15 billion U.S. in short-term loans.

In Canada, automotive parts manufacturers have asked for \$1 billion in emergency funding, and the three major car manufacturers have asked for \$6 billion. With an auto-sector bailout in the U.S. now possible before George W. Bush leaves office, experts say Canada has no choice but to craft its own rescue package.

Municipal Affairs Minister Jim Watson, the senior minister for Eastern Ontario, says the province has set aside \$80 million over four years to help regenerate area economies, but more is needed from the federal government. He says every province except Ontario gets federal economic development funds and the province has made Ontario's exclusion from the list the centrepiece of a "fairness" campaign for federal dollars. He says there is no reason why cities and companies in southern Ontario cannot receive grants when those in oil-rich Alberta are getting them.

"We've seen how successful they've been in other parts of Canada and anyone looking at this objectively will ask why one part of the country, in essence, is being discriminated against," Mr. Watson said. "Now, more than ever, we'd like to see in the federal government budget some acknowledgment that southern Ontario, the manufacturing heartland of Canada, needs the same equal treatment as the rest of Canada."

But experts such as author Fred McMahon say pouring money into economically depressed regions or provinces is actually a recipe for disaster.

Mr. McMahon, director for the Centre for Trade and Globalization at the Fraser Institute, says similar government intervention failed in Atlantic Canada and Ontario should resist the temptation to go in that direction. In his book, *Looking the Gift Horse in the Mouth*, Mr. McMahon says a range of measures, including economic development grants, subsidies and tax policies did more harm than good in the Atlantic provinces. The heavy reliance on government handouts -- whether in the form of equalization payments or subsidies -- stifled competition and created a culture of dependency that still blights the region.

"Government is lousy at taking winners over losers and the more money you have to throw around, the worse it gets," Mr. McMahon says. "People come in not because they have good business plans, but because they have lots of political contacts. It warps real business plans to accommodate political imperatives because the people making the decisions are more interested in pleasing political masters than in making goods and services people want."

Looking ahead

Denis Thibault, a Cornwall councillor and chairman of the city's economic development committee, says everyone now acknowledges that the era of the big manufacturer in Eastern Ontario is gone. Cities like Cornwall, Prescott and Brockville are reclaiming their waterfronts and reinventing themselves as

tourism destinations or retirement communities, with some success. Mr. Thibault says prosperity lies in new thinking and new businesses that make innovative products for world markets.

"The key is to adapt. We have to diversify local economies and create niche markets," he said.

At Haleys Station, just a stone's throw from the Timminco plant that shut down recently, Jon Van Schyndel is answering the call.

A trained aviation mechanic, Mr. Schyndel has turned a former elementary school building into a successful small business that rebuilds Eurocopters.

"It seems everything is outsourced to China these days, but the future lies in specializing in something that offshore can't offer," he said. "There is a worldwide shortage of people who rebuild these aircraft. It is a niche market and the future is very bright."

Indeed so bright that Mr. Schyndel is turning down orders, unless customers are prepared to wait two years.

Mr. Schyndel, 28, founded the business four years ago in Vancouver, but moved it to the Ottawa Valley to expand. Mr. Schyndel bought the school almost on a whim, and it's there where his firm rebuilds and refurbishes helicopters that have been involved in crashes around the world or need an overhaul. He has three full-time employees and three part-timers who reassemble three to four helicopters a year. The firm has orders for the next 18 months and Mr. Schyndel says his biggest challenge is finding aviation mechanics or engineers.

"If I could get 10 people who know what to do, I could keep them busy for 12 hours a day. If we had the right people, there's no reason we couldn't do eight to 10 helicopters a year," he said.

"What's keeping us from expanding is qualified people."

A few kilometres away in an Ensyn Corp. plant in Renfrew, company executives are showing off an innovative technology that converts straw and wood chips into biofuel and, eventually, gasoline. Developed by two Ottawa entrepreneurs, the technology uses a rapid thermal process called pyrolysis to develop green energy. The company, which employs 10 people at the Renfrew refinery, has inked a deal with a subsidiary of the giant U.S. multinational Honeywell to produce heating oil and conventional gasoline. Randal Goodfellow, the company's senior vice-president of corporate relations, calls the refinery a "showcase plant for new technology" that could begin producing gasoline by 2011.

On Camelot Drive in Ottawa, Roy Sunstrum is talking up a home-grown product he says is one of the world's most innovative technologies -- a DNA saliva test kit called Oragene. Developed by DNA Genotek, the device is in high demand around the world. Mr. Sunstrum, the company vice-president, says annual growth is "in excess of 50 per cent," leaving no doubt that new technology is the key to the future.

"The future of volume commodity manufacturing is going to have some big struggles for a long time. Not to pick on Hershey, but a chocolate bar made anywhere is going to be near identical and cost-driven," said Mr. Sunstrum. "But a uniquely enabling technology is not as competitive. You could say it is a niche product. Almost all the success stories in Eastern Ontario have some of that -- a truly world-leading innovative product."

A report this year by a group called the Ottawa Manufacturers Network says Eastern Ontario is indeed trending toward the small, specialized manufacturer in fields as diverse as aerospace, fabricated metals, electronics, security, wood products and medical equipment.

Manufacturing provides 10 per cent of jobs in Eastern Ontario. According to the report, new products arising from innovative technology are helping the region absorb the impact of job losses in traditional manufacturing.

Even so, the high Canadian dollar, high energy prices and weak U.S. demand took their toll. The number of smaller manufacturers fell to about 650 from 700 last year.

But Mr. Sunstrum says the dip in the value of the Canadian dollar in the past several weeks is helpful. And unlike in the automobile industry, oil is not a particularly high production cost for his company, he says.

"The strong dollar has caused so much damage in the last few years that if it stays where it is at this moment, that would restore some hope," Mr. Sunstrum said.

Mr. Martel acknowledges that the falling Canadian dollar is a boon to manufacturers, but says that is only part of the solution to their woes. What's missing is credit. Easing the credit crunch was the main reason for the U.S. government's \$700-billion bailout package, as well as the infusion of \$75 billion into Canada's banking system by the federal government. But credit has remained tight in both countries and as a mortgage broker, he knows firsthand how difficult it is for individuals and businesses alike to borrow money. And until banks begin lending, business activity will remain constrained, Mr. Martel says.

"There is probably a tightening of credit greater than what we see in the media," he said. "It is very tight now and that's going to affect everything we do. The problem now is money, access to money."

© The Ottawa Citizen 2008

CLOSE WINDOW

---

Copyright © 2009 CanWest Interactive, a division of [CanWest MediaWorks Publications, Inc.](#) All rights reserved.

CanWest Interactive, a division of [CanWest MediaWorks Publications, Inc.](#) All rights reserved.