



How the Maritimes became Canada's incredible shrinking region

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The Globe and Mail

Published Friday, Mar. 20 2015, 1:56 PM EDT

Last updated Saturday, Mar. 21 2015, 10:39 AM EDT

Mireyne MacMillan grew up on a farm about a half-hour's drive from Charlottetown, near Mount Stewart, which was once a thriving riverside railway stop for travellers to and from the capital.

Over the years, the village has boasted two blacksmiths, two garages and a car dealership, the biggest strawberry plant in the Maritimes, a co-op store, two warehouses for potatoes, two fish plants, a movie theatre, a box factory, a handle factory, a dentist and two doctors. At least 50 local residents served in the Second World War.

Then the trains stopped running.

Today, says Ms. MacMillan, 19, Mount Stewart "is full of a lot of older people." And "full" isn't what it once was. According to the most recent census, the 2011 population was a mere 225, a drop of 14 per cent in just five years. Each September, the local high school has more empty seats.

Effervescent, ambitious and civic-minded – we chat while she sells cookies on the University of Prince Edward Island campus, to support the swim team – the second-year student in the foods and nutrition program sees no future for herself on the Island. "I'd like to live here," she says, "but I don't think I'd be able to get a position. A lot of people I know have already left."

Nor is she likely to put down roots in neighbouring Nova Scotia or New Brunswick. After decades of declining fortunes, the Maritime provinces now find themselves trapped in what one observer describes as "a perfect storm" of economic and demographic decline.

The cause of that storm is no mystery; governments have been grappling with it for years. "Everyone knows what the problem is," says Peter

McKenna, head of political science at UPEI. “It’s just that no one knows what to do about it.”

Because of their fading economies, PEI, Nova Scotia and New Brunswick are running out of people like Mireyne MacMillan. Last year, 1,000 more people left PEI for other parts of Canada than arrived from them. The population of Nova Scotia has been falling since 2011, when it peaked at 948,000; over the next two decades, another 20,000 people are expected to leave. New Brunswick is in similar straits. Between the middle of 2012 and the middle of last year, the population dropped by almost 2,000, to 754,524.

But the real problem is the makeup of the population that remains. Every year – due to a weakening economy, a dearth of immigrants, and a population reluctant to face these problems – there are fewer workers to pay taxes and more old people in need of government services.

Within five years, a provincial study predicts, the working-age population of New Brunswick will have declined by 30,000, again largely due to the exodus of younger workers, even as 50,000 more people pass the age of 65. A provincial commission in Nova Scotia forecasts that, within 20 years, that province’s working-age population will have declined by 100,000, or about 20 per cent.

The trend may seem familiar – “going down the road” to find work is a Maritime tradition – but the tipping point is approaching rapidly, says Marco Navarro-Génie, president of the Atlantic Institute for Market Studies, a conservative think tank located in Halifax. “We have an economic crisis on the horizon,” he says.

Who will pay for the health care of a population with so many seniors and so few workers? Who will purchase the houses going up for sale? Who will buy the new cars, the appliances, the children’s clothing – all the things that families need when starting out? How far will children have to be bused to the few remaining schools?

Such a future can have only one outcome: slashed health care, education and other social services; ever greater departures by anyone able to escape the vortex; rural towns that become ghost towns; growing provincial deficits and debts, along with steadily reduced credit ratings that will increase borrowing costs.

Disaster looms unless Maritimers work together to reverse the slide – and, in some respects, adjust their thinking.

Prof. McKenna says the Maritimes enjoy strong social cohesion – “You don’t get that sharp polarization” between left and right seen elsewhere in Canada. But there is also a downside: “a particular resistance to change.”

A major reason for that resistance, says Donald Savoie of the Université de Moncton, is that “our region, more than the other Canadian regions, remains rural.” Although 80 per cent of Canadians live in cities, about half of the people in the Maritimes reside on farms or in small communities.

“New ideas and thinking usually come from urban areas, which are home to universities, innovation and less social and religious pressure,” says Prof. Savoie, a leading authority on public administration and regional development.

But his bigger concern involves something else that’s missing: “Our region also lacks the energy, entrepreneurial spirit and the desire for a fresh start that new Canadians bring. We simply do not have enough new Canadians coming to the Maritimes.”

Welcome wagon badly needed

In other parts of the country, Canada’s aggressive immigration policy is helping to smooth the impact of an aging population. But New Brunswick, with 2.2 per cent of Canada’s population, takes in only 0.8 per cent of the country’s immigrants; Nova Scotia, home to 2.8 per cent of Canadians, takes in just 0.9 per cent of newcomers.

Both provinces, in other words, attract about one-third of the immigrants their numbers warrant. And many of those who do come don’t stay.

Immigrants avoid the Maritimes because of the lack of economic opportunities and because they tend to gravitate toward communities that already have newcomers. But there are darker reasons, too.

A landmark report on Nova Scotia’s future, commissioned by the provincial government in 2012, and released last year, refers to “barriers stemming from negative attitudes and even racism when it comes to welcoming new people into our communities and hiring people ‘from away.’”

Carol (she refuses to give her last name) is in her 70s, and sitting with a friend in a food court in downtown Halifax. During lunch hour, she reports, the tables are filled with members of visible minorities. She knows that many are foreign students attending one of the city’s six universities, and most will go home when they graduate.

“But some of them will stay and take jobs from people here,” she predicts.

Thinking like that is one reason the commission's report was called *Now or Never: An Urgent Call to Action for Nova Scotians*. "We didn't pick the title," explains Commission Chair Ray Ivany. "The title picked us."

Long-limbed, animated, the son of a Sydney steelworker, Mr. Ivany is president of Acadia University, one of the nation's finest liberal-arts institutions. He is passionate about the challenges his province faces.

"We were not trying to be hyperbolic," with the title, he maintains, during a conversation in his office on the Acadia campus, in postcard-perfect Wolfville. "The demographic and economic spiral has reached the point that, if we don't grab hold of the situation now, there is a reasonable question to be posed of whether we can turn it around."

Key to that turnaround, he is convinced, is overcoming the region's resistance to outsiders, by aggressively targeting and attracting immigrants. That, in turn, will require a change of mindset, both within government and the population.

But it can be done. Prince Edward Island has worked hard to recruit immigrants. As a result, the province's immigration rates are about where they should be, and newcomers now account for about 10 per cent of the Island's population which, unlike that of its neighbours, has risen slightly, to more than 146,000. Not coincidentally, employment growth in PEI has tracked the national average in recent years, even though it is stagnant in New Brunswick, and Nova Scotia is actually shedding jobs.

Fading influence

As the belt tightens in the Maritimes, the provinces will make increasingly frantic pleas for federal aid – pleas likely to fall on deaf ears.

One reason is fiscal: Ontario is now a have-not province. With almost 40 per cent of the country's population and economy, it has been receiving equalization payments since 2009. (This year, it will get \$2.4-billion.) Every dollar Ontario takes out of the pot is a dollar no longer available to help prop up the Maritimes.

Canada now consists of three groups.

First, there are the "have" provinces of British Columbia, Alberta, Saskatchewan, and Newfoundland and Labrador, which contribute to the equalization pot. (The latter is included even though it also suffers from high unemployment and outmigration, because of the revenues it now receives from offshore oil and other natural resources – which may say as much

about the fairness of the equalization formula as it does about the province's improving fortunes.)

After the haves come the big have-nots: Ontario and Quebec.

Bringing up the rear are the small have-nots, the Maritimes and Manitoba. Which illustrates another reason Maritime calls for help may be ignored: Voters there just don't matter much any more.

To blame: Central Canada

How did it come to this? The simple answer is, the Maritime provinces were betrayed by the rest of Canada.

Nova Scotia and New Brunswick entered Confederation in 1867 (PEI held out until 1873) reluctantly, and with good reason. At the time, the region enjoyed a thriving economy built on trade, mostly with the U.S. Northeast.

There were steel mills, cotton mills, sugar refineries, glassworks – a quarter of the new Dominion's manufacturing capacity. Manufacturing was financed locally, through lenders that evolved into the Royal Bank and Scotiabank. Maritimers' shipbuilding prowess was world-renowned. Halifax was a major hub on the Atlantic seaboard.

Then, in 1879, the federal government imposed the National Policy, creating a tariff wall with the United States in order to protect Central Canadian manufacturing. Suddenly, the nearest market for Maritime goods was Montreal, 1,200 kilometres to the west.

Cut off from American markets and far removed from the Canadian heartland, the Maritimes withered into a mostly rural economy dependent on forestry and the fishery, which offered only seasonal work. To protect what jobs were left, governments began throwing good money after bad, propping up money-losing coal mines, paper mills, tourist resorts.

"The place hasn't recovered since," says Mr. Navarro-Génie. A political scientist, he came east just 18 months ago, after years of teaching in Alberta and a stint at the Frontier Centre in Calgary, another conservative think tank. (As we talk in his suburban office, we both marvel at Halifax's towering snowbanks – although he loves his new home, Mr. Navarro-Génie, born in Nicaragua, says the winter wind "has a cruel soul.")

In the 1950s, the federal government started pouring money into the region through transfer payments that eventually became the equalization program, along with dubious economic-development schemes. Not only did those schemes mostly fail; they are blamed for encouraging the attitude that government subsidies are better than private investment at creating jobs.

A problem with Hail Marys

As the decline deepened, economic-development policy increasingly resembled the governmental equivalent of buying lottery tickets. There were spectacular failures, such as the heavy-water plant at Glace Bay, N.S., a 1960s eyesore closed in 1985 and finally torn down in 2013; and New Brunswick's attempt in the 1970s to jump-start its own auto industry with the gull-winged Bricklin.

More recent boondoggles have been smaller in scale, but no less embarrassing. In the 1990s, with the completion of the Confederation Bridge and the rising popularity of golf, the tourism-fixated government of Prince Edward Island invested heavily in places to play the game. But golf waned in popularity, and with losses reaching \$500,000 a year, the province put its four courses up for sale in 2007. A year later it wrote off \$10-million in bad debts. To this day, the courses remain unsold and are losing \$800,000 or more a year.

Nova Scotia, meanwhile, is vexed by the Yarmouth ferry. In 2009, the NDP government of the day shut down the money-losing service between the western tip of the province and Portland, Me. But last year, after intense local resistance, the Liberal government inaugurated a new service with a \$21-million forgivable loan that was to cover the first seven years of operations. Instead, the money was gone in mere months, and the final tally for taxpayers in 2014 was \$28.5-million. This year, the government hopes to lose no more than \$13-million on the service.

Last month, Globe and Mail readers learned of another Island fiasco – a government attempt to create an international online gambling hub. Insiders, including the provincial conflict-of-interest commissioner, invested in the scheme, which fell apart after two years of covert planning. The tale left a bad taste in the mouths of those who believe that people in the know profit from that knowledge. “It just feeds additional cynicism, exasperates people, and simply turns them away from even trying something new or different,” Prof. McKenna says.

A natural-resources conundrum

Last fall, Nova Scotia imposed a moratorium on the use of hydraulic fracturing to extract natural gas. A review panel convened to examine its economic potential had predicted that fracking would bring at least \$1-billion a year into the province and create up to 1,500 permanent jobs. The government decided against it, however, due to native opposition, and worries about the environmental impact. The issue also was a major bone of

contention in the New Brunswick election last fall, when the anti-fracking Liberals defeated the pro-fracking Conservatives.

Shelley Hippern, who manages a suburban Halifax pet store, cheered the decisions. Exploiting shale gas deposits “might be beneficial to us, and maybe our kids,” she explained, while customers nodded in agreement. “But what about generations from now? We have to look at the bigger picture.”

This month, Encana Corp. announced that Nova Scotia’s offshore natural-gas reserves are smaller than previously thought. Industry analysts expect the gas to run out as early as next year, after which the province will have to import gas – at a price perhaps 40-per-cent higher than Nova Scotians currently pay – from the United States. That gas will come from fracked shale in Pennsylvania.

At the Université de Moncton, Prof. Savoie argues that the fracking moratorium was the “wrong message at the wrong time,” and sees a connection to Maritimers’ reluctance to embrace change. “Though I do think that some of us have awakened to the challenges, how many of us is not clear,” he says. “I do think that it is much more comfortable to just carry on and hope that something will break in our favour soon.”

The word in Truro – the “hub of Nova Scotia” and the home of Stanfield’s underwear – is that Bill Casey will likely win, and that’s the problem. Not for Mr. Casey, of course. Over the years, the affable political veteran has sat in the House of Commons, first as a Progressive Conservative, then as a Conservative, and finally as an Independent. This time, he is running as a Liberal.

“I think he’s got a pretty good chance,” predicts Doris Martenstyn, a retired nurse, over a cup of coffee on a street of strip malls and food chains. “People know who he is. And he’s a bit of a renegade.”

Recently turned 70, Mr. Casey has been out of politics since resigning his seat in 2009 to become his province’s representative in Ottawa. But now he’s back, and is running as a Liberal because he is impressed by the leadership of Justin Trudeau.

In fact, all of Atlantic Canada seems impressed: it is where the Liberals have their widest lead in the polls, currently 52 per cent compared to 23 per cent for the Conservatives and 17 per cent for the NDP. (Except for Newfoundland, the provincial governments are now Liberal as well.)

Even though they hold more than half of the federal ridings in the Maritimes, the ruling Conservatives have introduced policies expected to cost them dearly when Canadians go to the polls Oct. 19.

While maintaining the equalization program, the Harper government has stripped the equalization component that used to be built into other programs, such as health care and social transfers.

Funding is now delivered on a per-capita basis, which seriously disadvantages the Maritimes, with their small, aging populations and disproportionately high health-care needs.

As well, the government has tightened the rules for eligibility for employment-insurance benefits, requiring that recipients be willing to travel up to an hour to work, and to accept 70 per cent of their previous pay. This will draw few votes in a region with about 10-per-cent unemployment and where much of the population works in seasonal industries – fishing, agriculture, tourism – and depends on EI the rest of the year.

But the loss of support won't have much influence on the election's outcome. Population growth in Ontario, B.C. and Alberta has led to the creation of 27 new ridings, plus three in Quebec. Those 30 seats represent five more than in all three Maritime provinces and enough to dilute their representation in the Commons to just 7 per cent.

But the region struggles with a much larger political problem: People agree with each other far too much.

“I've always been a Red Tory,” Mr. Casey explains over the phone. (He has gone south to escape a particularly brutal Maritime winter.) “I believe government should be there to help people who cannot help themselves,” but “I also believe government should be fiscally responsible, too.” Such beliefs are deeply entrenched here in the last bastion of a brand of conservatism that emphasizes state intervention in support of those in need, as a kind of noblesse oblige.

However, if the Red Tories are less conservative, the Liberals and New Democrats here are more conservative than elsewhere, which helps explain why New Brunswick and Prince Edward Island are reluctant to provide abortion services, no matter which party is in power, and why Nova Scotia MP Peter Stoffer opposed the gun registry even though he is a New Democrat (although he later voted to save it).

How to turn things around

Despite the severity of the problems facing the Maritimes, there is a way forward – so clear and convincing that Prof. Savoie, Mr. Navarro-Génie and Mr. Ivany all offer solutions that could be summarized as Five Rules for Saving the Maritimes.

1. Maritimers must understand that Ottawa never was and cannot be the solution to the region's problems. If anything, an excessive reliance on federal support has made things worse.
2. Only a healthy private sector will attract workers, encourage immigration and keep the young at home. Governments must craft policies that encourage businesses large and small to locate, stay and grow.
3. While there are economic opportunities in the rural economy, such as the Annapolis Valley's burgeoning wine trade, real growth will come from cities. Halifax, especially, could once again be a major hub, and Nova Scotia should target every available dollar at encouraging its growth. By thriving, the city will lift the entire region.
4. Although the notion of Maritime union is deeply unpopular, the provinces must work to eliminate non-tariff barriers to the free movement of people and goods throughout the region, similar to the internal economic union that B.C., Alberta and Saskatchewan have fashioned.
5. Most important of all, they must aggressively recruit immigrants, to slow the aging of the population while injecting new energy and ideas.

Even though it lost 1,000 people to outmigration last year, PEI wound up being the only Maritime province whose overall population did not decline, due mostly to immigration.

Wade MacLauchlan is bullish on the Island's future, as you might expect from someone who became its premier three weeks ago.

"Being small can be big," points out the former UPEI president, whose Maritime accent may have become more pronounced since he entered politics. By continuing to attract immigrants while fostering a small but growing manufacturing sector, and leveraging the research coming out of UPEI, "we can add a billion dollars to the provincial economy by 2020," he says.

The cost of lost youth

That kind of growth could create the jobs that would keep university graduates at home. Until it does, PEI will keep losing young – and suffering the consequences.

Mireyne MacMillan, for one, worries not only about her future but that of her father. Robert MacMillan could be forced to give up the family dairy farm. At 56, he needs help with the heavy lifting and doesn't want to keep his children from their studies. It's "almost impossible to find young people willing to work," she says.

The more that people like her flee, logic suggests, the harder it will be to convince those who stay behind of the need for radical change.

But Ray Ivany doesn't agree. Asked whether Nova Scotians are scared enough to endure major sacrifices – such as cuts to rural services, so that money can be invested elsewhere – in order to reverse the population drain, the Acadia U president karate-chops the air. “Yes, yes, yes!” he says, predicting that “we are going to look ourselves in the mirror, and we are going to realize there is no one who can solve this except ourselves.”

Mr. Ivany foresees a future in which “we have dramatically altered our immigration patterns ... we will have increased productivity, we will be trading at considerably higher levels, our resource sectors will be getting more wealth even out of what we currently harvest.”

Marco Navarro-Génie isn't so confident. He believes that the entrenched conservatism of the region will frustrate innovation. As much as he loves his new home, “people don't want things to change ... things are fine the way they are.”

But things aren't fine and, unless Maritimers act boldly to arrest their decline, Mireyne MacMillan and thousands of others will keep going down the road, leaving an increasingly older society in their wake.

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