

Cape Breton provides pointers for the adjustment programs required by the decline of the old economy

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The Cape Breton Development Corporation need not, should not, be dying in the way it is. "Devco" has been widely represented as a failure dragged out too long. In fact it had for a time considerable success in a role too difficult to be often attempted. The main failure was in the political will to stick to its purpose.

This commentary is in three parts. The first, major section discusses the purpose of Devco and the policies that served the

purpose quite well but were maintained for little more than a decade. It suggests that the benefits would have been greater if Devco had been started earlier in the period of postwar prosperity.

The second section comments on the enfeeblement of Devco in the 1980s. The removal of its development function also weakened, and has eventually led to the abandonment of, Devco's social purpose in the operation of coal mining.

Third, a short epilogue pointing out that, while the Cape Breton case is extreme, there will be increasing need to moderate the socially disruptive consequences of accelerating economic change. There are lessons from the Devco experience: the longer remedial action is delayed, the more difficult and expensive it becomes, and the more necessary for its effectiveness is a steady political will.

The reason

Those of us who were present at the birth of Devco, some thirty three years ago, had no illusions about everlasting, or even greatly prolonged, life for the coal mines on which industrial Cape Breton was built. The reality was already written in history. The entrepreneurs of a hundred years ago briefly promoted Sydney as a second Pittsburgh, but they created no way in which coal seams dipping under the ocean could be economically mined for more than a few miles from shore; nor did they find any way for a plant located far from major manufacturing centres to market steel on the scale that the technology of its production increasingly required.

In fact the economics that created Pittsburgh dissolved well before the end of the twentieth century. The economics of industrial Cape Breton had become weak before the end of the century's first quarter. For the next forty years a foreign-owned coal and steel industry was maintained thanks only to increasing government subsidies and at the price, nevertheless, of deprivation for miners and their families.

By the nineteen sixties, with the lessons of the great depression and world war learned — and, for a decade or two, remembered — the federal government was prepared to recognise hard facts about the social impact of increasingly

rapid technological, and hence economic, change. Left to the intensities of market economics, some of the impact is inhumane. It is particularly and disruptively so for a community based on only one or two activities and itself remote from larger centres of industrial growth. Cape Breton was the major Canadian case of this kind.

Devco was not established for the purpose that many critics have invented for it. It was not designed to avoid economic change. It's purpose was to ensure that such change took place without the sharpness of social disruption that there would otherwise have been.

My viewpoint, and therefore bias, should be stated. During the conception and early years of Devco I was in Ottawa, concerned with the development of other federal programs in the interface of economic and social policies. Devco was a major experiment in that area and therefore became a matter of great concern when, in its first three years, it seemed increasingly to stumble. I went to Sydney in 1971, as Devco's second president, remained so until 1977, and continued as a board member until 1982. About events after that I can comment only as an outside observer.

Modernised mining, with pensions

From the beginning it was apparent that the public purpose — to lessen the social disruption from economic change — required four new policies.

The old policy had come to a forced end. The company, Dosco, set a new condition for continuing to operate its mines: government must provide grants to finance a modernisation program. This capital was in addition to the long-established subsidies. In their final year,

1967-68, those cost federal taxpayers \$30 millions. That was before the inflation of the 1970s and following decades. In real terms, it was much more — roughly four times greater — than the federal government's average annual outlay on the Cape Breton mines during the subsequent 33 years of Devco. But memories are too short for critics of federal spending on Devco to be restrained by the greater subsidisation of Dosco shareholders that preceded it.

In the late 1960s there was virtual unanimity. Politically, Conservatives agreed with Liberals and New Democrats that the mines of industrial Cape Breton had to be taken into government ownership. It was the one practicable way to avoid the social devastation of sudden closure. The agreement was not, of course, to avoid eventual closure. No one outside Cape Breton dreamed that was possible. The purpose of public ownership was to reduce mining employment gradually enough to provide time for effective economic and social adjustments. This did not mean, however, that the existing four mines could be continued, for any significant period, as they were. They were too inefficient; there were too many questions about their safety. The phase-down of the industry could therefore be made reliably gradual, rather than sudden, only if parts of it were substantially modernised.

But how? The submarine workings of the mines were already too far advanced, requiring long haulages of men and coal, for better equipment in itself to do much good; though employment could by that means be somewhat reduced, there would be little improvement in the industry's finances. Hence the most dramatic of Devco's policies: paradoxically, the efficient way to phase down gradually was to open new mines. There were still two

areas with good coal close to shore. Two new mines (Lingan and Prince) replaced three of the old ones. For the fourth and best (Number 26) substantial modernisation was thought worthwhile, and probably would have been if accident had not later destroyed it. The third new mine that was consequently developed in the 1980s (Phalen) was not the success of the other two.

Lingan and Prince greatly improved output per man, and modernisation also meant that the quality of much of the coal offered for sale was raised by means of a new preparation plant and improved handling facilities. More and better coal with a smaller workforce meant higher wages. Though health and safety conditions were not improved as much as they could have been, the industry did regain some of the confidence and purpose that had been absent since oil began to replace coal as the energiser of industry, of rail transport and of shipping (which had been particularly important because of Sydney harbour's Atlantic location).

Still, the workforce of the productive new mines was — as was necessarily intended — a good deal smaller than that of the old ones. Not only did mining employment remain much less than Cape Breton's communities had been built for; no one could give assurance that mining would be sustainable beyond the working life — perhaps 25 years — of Lingan and Prince. Therefore, while Devco's basic policy for the coal industry was modernisation, a second was equally essential to its purpose.

There had been no regular, committed pensions for miners. Devco instituted both a non-contributory pension plan (with previous Dosco employment taken into account) and, for those who wished,

contributory pensions. They were in addition to early retirement benefits for workers who had to be laid off. The scale of the plans was not all that a humanitarian would wish for men who had worked years in the deeps. But it was, for the circumstances of the industry, good; and it has done much to ease the impact of Cape Breton's economic troubles.

Diversification

The third Devco policy was to develop other sources of employment in Cape Breton. The difficulties were massive. As Devco took over the mines, Dosco walked away from the Sydney steel plant; its operation, in provincial government ownership, has been more precarious even than mining. And there had been little to industrial Cape Breton but Dosco. Other business experience was limited almost entirely to retailing, fishing and local construction. Most of the activities of rural Cape Breton had been in even longer decline than coal and steel. Earlier efforts by the Nova Scotia government to encourage new industries had come or were coming to nothing but disappointed people, wasted money and, in the most notorious case of the Glace Bay heavy water plant, rusted pipes.

Devco in its first few years understandably clutched at many things. The one major success was the expansion of the pulp and paper plant at Port Hawkesbury. Otherwise Devco's early development financing went almost entirely into projects without roots in the island's resources and people. They proved to be straws. In 1972 there was a shift to the careful development of projects better fitted to their environment. Most were small but they were numerous; and through the 1970s, the successes were many, the failures fewer. Tourism was the sector that gained most, thanks to infra-

structure and demonstration projects as well as the financing of many private enterprises. The fishery was helped to diversify before stocks collapsed, and was supplemented by aquaculture when that was hardly known in Canada. Farming was improved. Small processing and manufacturing enterprises, urban and rural, were started or expanded.

Such projects were far from removing Cape Breton's entrenched unemployment; but compared to anything that had been done before, they added up to major progress. In the 1970s the earned incomes of enough Cape Bretoners improved enough to constitute an encouraging beginning for a realistic program of diversified development. This was achieved, of course, in the context of a buoyant national economy. To recognise that is not, however, to dismiss Devco's role. The Canadian economy had been almost continuously buoyant for the postwar quarter of a century before 1970. The benefits had not penetrated to the north-eastern periphery of the continent. What was different in the 1970s was that Devco helped to provide the impetus, organisation and resources that enabled more Cape Bretoners to take developmental advantage of the national circumstances.

International conditions were also favourable. In the mid-1970s high oil prices raised the demand for coal. Devco's finances did not get the full benefit because the federal government heavily subsidised the cost of imported oil for eastern Canada, thereby reducing Devco's return from contracts to sell coal at prices that equalised the costs of generating power by coal or by oil. Devco's finances were also distorted by retirement and disability benefits for the larger workforce of the past. If these two factors had been taken

into account, Devco's mines would, for some years at least, have recorded profits.

In this environment, and with the close collaboration between Devco and the Nova Scotia government that flourished in the mid-70s, there were a few years when it even seemed possible that there could be European and North American investment in a new Cape Breton steel plant. For that, however, the world did not remain kindly; in the later 1970s the long postwar expansion in steel-making came to a sharp end. Even so it remained true that the decade was the most prosperous period — a few war years perhaps apart — experienced by Cape Bretoners.

Might-have-been, and UCCB

It is tempting to speculate what might have been achieved if policies of the Devco kind had been started twenty years earlier. The need was apparent. It might not be fanciful to think that, in a setting favourable to development for a generation instead of a few years, new enterprises could have become sufficiently rooted, diversification could have been broad enough, for Cape Breton subsequently to cope with business cycles and setbacks quite as well as other regions.

If so, the success would have owed a great deal to the fourth of the major Devco policies: education and training. It is only in recent years that the media have helped to make "developing our human resources" a standard cliché of business and politics. It is, however, forty years and more since shapers of public policy began to recognise that a country's economic and social progress would increasingly depend less on its physical resources and more on the breadth of knowledge and creativity among its people. In the words of a policy document of 1961, "The advan-

tages from education are increasing all the time. In a scientific world, fewer and fewer jobs are unskilled. It is above all our human resources that we cannot afford to leave under-developed".

Nowhere was that more relevant than for Cape Breton, with its natural resources depleted. New industries that could survive would be industries requiring new skills. The opportunities for better employment that they might provide would depend on education and training, for older workers where possible and, crucially, for younger people with their life's work ahead.

Devco came late to the need, and education was not, directly, within the mandate of a federal agency. But its close liaison with the provincial government during the 1970s enabled Devco to contribute encouragement, planning and assistance. The University College of Cape Breton was established, combining the stimulus of broader education with improved facilities for technological training. Though it was established later and matured more slowly than Cape Breton needed, UCCB has over the past 25 years been a major force for community renewal. Some of the fruits are now appearing in the development of technologically advanced enterprises employing local talent.

Devco did not merely create time for adjustment to the loss of coal and steel. It worked from inside Cape Breton, whereas the supplementary activities established earlier — notably an oil refinery and two heavy water plants — were responses from outside to circumstances that did not last. Devco's achievement was to show that a more solidly diversified economy could be created by the enterprise of

Cape Bretoners. In 1968 the end of coal and steel would have made Cape Breton a black hole. In 2001 there is life after.

It could have been better life sooner if there had been more than a decade favourable to the growth of the seed sown in the 1970s. Much of it lay dormant in the 1980 recession and beyond. The cause was in part outside either local or national control: in considerable part, but by no means entirely. There was also a collapse of political will.

Dismemberment

Despite the adverse circumstances, more could have been done, more wisely, to continue the diversification of the Cape Breton economy. Much worse than the omissions, however, was an act of destruction. The new federal government that took over in 1984 tore Devco apart. Though it remained the Cape Breton Development Corporation in name, its development function — its broad responsibility for the island economy, for the employment opportunities of Cape Bretoners — was stripped from it. Devco became a coal company, period.

There were people who thought it should have been that way from the beginning. They argued that running the mines and developing the economy generally were different tasks requiring separate agencies. Many miners agreed; they resented the development role of Devco as a distraction from their interests. Allan J. MacEachen, the driving force in the creation of Devco, wisely insisted otherwise. A coal company in government ownership would still be a coal company. It would be run, quite properly, by the standards its managers knew, the standards of the coal industry. It would not be run by the standards of public good,

concerned for practicable lessening of the human damage from economic change.

The legislation therefore established one corporation, one president and board to provide the direction for both its coal and development divisions. Experience showed that the two could then be mutually supportive and reinforcing in serving a common purpose for Cape Breton.

The wrecking of the corporation shifted the responsibility for development to a new agency that was simply a subsidiary of a larger agency for the Atlantic region and which was itself organised essentially in the fashion of a government department rather than a corporation able to shape its actions to the particular needs of its one area of responsibility. Diminished vigour and inventiveness were the inevitable consequence.

The effect on coal operations was even more clear-cut. Though the social purpose of Devco remained written in the statute, it had increasingly little significance for the corporation itself, for the Ottawa politicians who had transformed it, or indeed for the new Liberals who replaced them. The loss of purpose has been evident in much of the subsequent conduct of lay-offs and of industrial relations generally. It became bitterly evident in the scale of retirement and separation benefits that Devco offered when it finally stopped work in what had always been the principal mining area, the south side of Sydney harbour.

Despite strong representations, the corporation was doggedly unyielding until Ottawa eventually sponsored binding arbitration. The outcome was a moral victory, at least, for the mineworkers. The

arbitrator ruled, in effect, that the conversion of Devco to a coal company did not allow it to set aside its original statutory obligation to minimise hardship arising from the downsizing or closure of a mine. In detail the ruling did not go far. There is still too little help for the men who, though somewhat short of 25 years' service with Devco, are in their forties, even late forties, and will often have great difficulty getting new jobs. However, the arbitration did re-assert, and at least partially re-apply, the basic principle of Devco, the principle of public concern with the social consequences of economic change.

Abandonment

Nevertheless there is at the beginning of 2001 no sign that the principle will be respected in Devco's final act. Its remaining mine — Prince, on the north side of the harbour — will be handed over as soon as possible to a private operator. This is proudly billed as the government getting out of the coal business: where, the pride implies, it should not be. The reason why it has been there — to save a community deserted by coal as a private business — is carefully ignored.

Prince was started during my presidency of Devco and I am gratified that, 25 years later, its continued operation is thought to be profitable. But why, at this late stage, change the ownership? There is no doubt what a private business will do. It will work the mine hard, perhaps high-grading, certainly aiming to get the maximum return on its investment sooner rather than later. That is entirely proper business behaviour in the interests of shareholders. But it means that Cape Breton's remaining mine jobs will end sooner rather than later. And again, the private business's responsibility will be to its shareholders, not the community. The separation terms

for the workforce will be as inexpensive as possible. And since the jobs lost will be a few hundred, not the thousands that were once at stake, there will nowadays be little more than local concern.

The issue is not the way that mining communities would like, naturally and traditionally, to see it. There may be arguments about how much and how long coal could have been mined in Cape Breton if this or that had been done differently at one time or another. But the die is now cast. The further life of Prince can in any event be measured only in years, not generations. And there will not be, in foreseeable circumstances, any new mine.

But that sad reality only makes privatisation now the more mysterious and the more crass. The motive surely cannot be crudely ideological. After more than thirty years of federal ownership, even the most fervent of free-enterprisers in Ottawa can hardly see divestment of one remaining mine as a matter of principle. It is also hard to see any strong financial motive, ulterior or otherwise. The likelier factor is, simply, ceasing to care. Locally, there is no pleasure and little reward to be had from managing a public corporation diminished as Devco is. In Ottawa, neither politicians nor bureaucrats have anything now to lose by washing the troubles of Cape Breton miners out of their minds.

Such exhaustion is understandable. Charitably, many would say it is only human. It should be unacceptable. It is not what people are in public life for. The judgement will be plain. It will be betrayal. Devco embodied a principle of public policy that the rapidity of change has made essential. People cannot be isolated from the adverse effects that change inevitably has for many. But the process of

change can be modified, its social disruptions slowed and moderated. That was what Devco was for, in a particularly difficult situation. It did considerably less than might have been; but compared with what would have been without Devco, it did a great deal of good. It would have done more if its way had not been lost, by the Mulroney government, half-way through its existence. But that is not reason for the present government to abandon it; the miners of Prince may now be few, but that is not reason to withdraw from them the principle on which Devco was created.

Epilogue

It is a principle that will become increasingly important for Canadian public policy. The Cape Breton case is extreme in its scale but not unique in its nature. Remote mining and logging communities sometimes lose their economic base. Many aboriginal communities had their main resource diminished long ago, but it is now that remediation is becoming a pressing necessity.

There is also a general reason why the lessons of the Devco experience will repay

attention. Technological change continues to accelerate. Its economic repercussions, shifting the nature and the location of the activities that are and are not in demand, will become correspondingly sharper. The winners are many, but the losers are not few. The dynamism of the new economy is wonderful, but it does not fit easily with the equitable and equable society in which people generally want to live. The uncertainties and disruptions are too great, and not of the kind that the market economy itself will moderate. We are taking a road to increasing social division and discontent unless we recognise a new emphasis for the constructive role of government: in no way to resist economic change, but to moderate its social disruptions.

There is, in other words, a broadening need of the kind to which Devco was a response. The broader response will not call for anything like the Devco organisation, but it will require the same public purpose to energise it. And again, the program requirements will be less difficult and expensive if they are promptly undertaken with a steady political will.