

DÉVELOPPER LE FUTURE

SDE G EDC

Société du développement  
économique de Greenstone

Greenstone Economic  
Development Corporation

DEVELOPING THE FUTURE

**Greenstone Region Gap Analysis  
and Market Study Report**  
Northern Communities Investment  
Readiness Project

Erratum – Additional Materials Added January 13<sup>th</sup>.  
Erratum – Additional Materials Added January 29<sup>th</sup>.

Submitted by:

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**Economic Development Solutions**

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[www.gedc.ca](http://www.gedc.ca)

## LIST OF RECOMMENDATIONS

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### **Recommendation**

It is recommended that the Municipality of Greenstone make an urgent appeal to the Provincial government for assistance in upgrading sewage treatment capacity in the communities of Longlac and Geraldton or risk losing development opportunities arising from the development of gold mines by Premier Gold, Roxmark and other players now working in the community.

### **Recommendation**

It is recommended that the Municipality of Greenstone take immediate steps to extend the runway at the Nakina Airport to 5,000 ft., and add to the fuel storage capacity available on site.

It is also recommended that the Municipality develop a limited number of building lots at the airport (similar to what has been done at Geraldton Airport) to ensure the continued growth and development of air services business and the Nakina Airport itself.

### **Recommendation**

In addition to the land recommended for development at the Nakina Airport, we recommend the creation of an industrial park of between 40 and 60 acres with room to expand along the Hwy 11 corridor. The land should be zoned industrial and subdivided into serviced building lots of 2.5 to 5.0 acres.

### **Recommendation**

It is recommended that the GEDC convene a meeting of power users who are or expect to be operating in the Geraldton/Beardmore Gold Camp, along with representatives from the Municipality and the Chamber of Commerce to develop a list of (future) power requirements for discussion with Hydro One to see if there is an economic method of improving the hydro service to the region.

### **Recommendation**

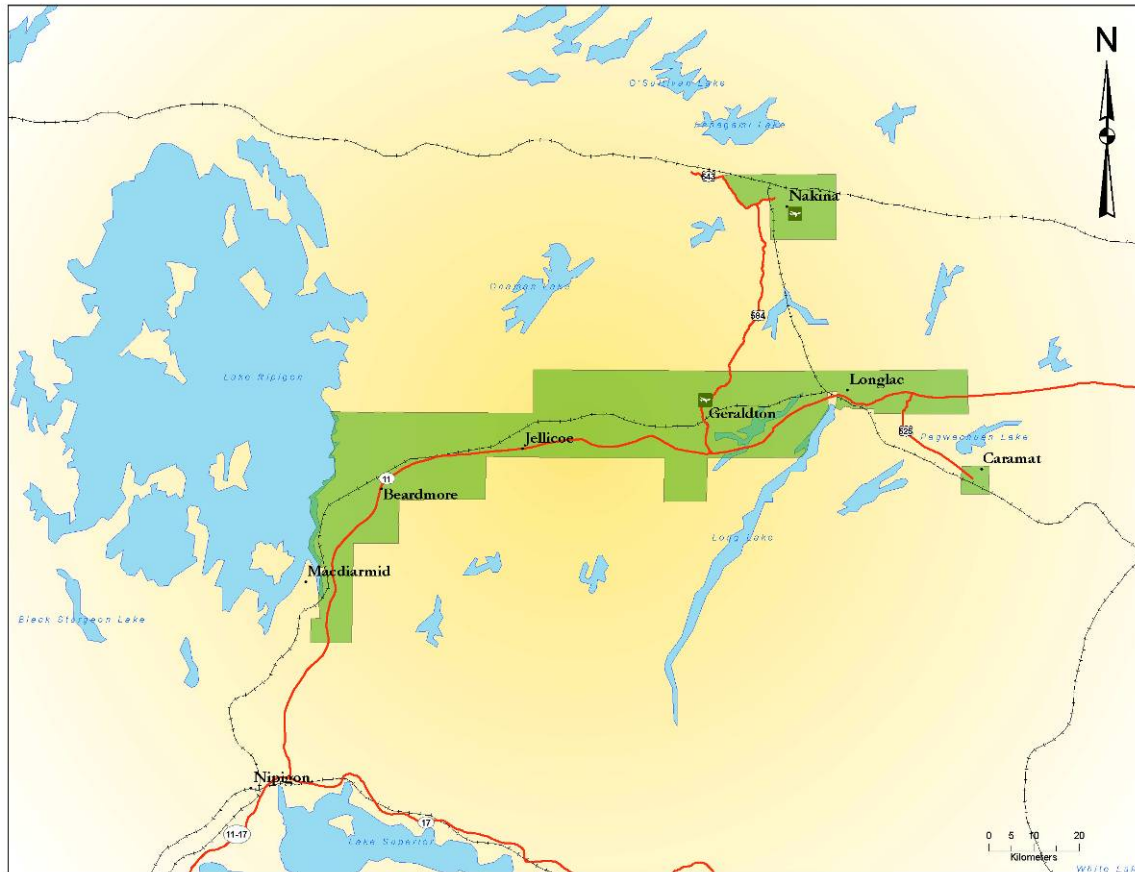
It is recommended that Greenstone Economic Development Corporation launch an Awareness Campaign with the aim of informing the Greenstone region about the services provided by GEDC to the business community including the availability of capitalization to support all businesses in the community.

### **Recommendation**

It is recommended that GEDC and the Municipality of Greenstone meet regularly to agree on roles and responsibilities in economic development programming, with particular attention paid to responding to inquiries from prospective investors.

# INTRODUCTION

## MUNICIPALITY OF GREENSTONE



The **Municipality of Greenstone** (2006 Census Population 4,906) is a Municipality comprised of several settlement areas spread along the Highway 11 corridor in Northwestern Ontario, located approximately three hours north-east of Thunder Bay. The Municipality of Greenstone was created in January 1, 2001 by the amalgamation of the former municipalities of the Town of Geraldton, the Town of Longlac, the Township of Nakina and the Township of Beardmore, as well as an extensive area of unincorporated territory. It is located in the District of Thunder Bay. It also includes several small settlements area including Caramat, Jellicoe, MacDiarmid and Orient Bay. Nakina and Caramat are excluded from the rest of the Municipality. The area of Greenstone is 2,780 square kilometres (1,073 sq mi) making it one of the largest incorporated towns in Canada.

The **Greenstone Economic Development Corporation** is a CFDC (Community Futures Development Corporation) funded by FedNor/Industry Canada as part of their network of locally based, non-profit community development organizations. The mission statement of the GEDC is to:

***"foster and encourage the start-up and operations of successful enterprises in all economic sectors within the Greenstone Service Area".***

The GEDC is governed by a volunteer board of directors who assist with policy making and are active in the communities as ambassadors of GEDC programs and priorities. The service area for the GEDC includes the Aroland First Nation, Beardmore, Caramat, Geraldton, Ginoogaming First Nation, Jellicoe, Lake Nipigon Ojibway First Nation, Longlac, Long Lake #58 First Nation, MacDiarmid, Nakina, Rocky Bay First Nation and Orient Bay.

In November 2009 the GEDC received funding from the *Northern Communities Investment Readiness Program* (NCIR) administered by the Ontario Ministry of Northern Development, Mines and Resources for the Greenstone Region Investment Readiness program.

The individual components of the Investment Readiness program undertaken by GEDC are:

- Greenstone Region Commercial Asset Inventory and Satellite Imagery designed to provide an up to date inventory in an effort to retain, attract and expand local businesses. This component was completed in March 2009 and can be viewed at [www.gedc.ca](http://www.gedc.ca) under the Site Selection / Available Properties section of the website.
- Greenstone Region Asset Inventory and Satellite Imagery were designed to compile and present the assets in the Greenstone region. The regional asset inventory includes natural resources, workforce, and access to utilities, transportation infrastructure, idled structures, communications structure, healthcare / education facilities, and distance to markets, existing businesses and other categories. The asset inventory includes the Business Directory found at [www.gedc.ca](http://www.gedc.ca) under the Live Work and Play section. In addition, a report outlining the Greenstone region assets is available. This component was completed in November 2009.
- Greenstone Region Gap Analysis conducted through face to face interviews with stakeholders in the community to identify gaps or weaknesses that exist in the infrastructure supporting the local economy as well identifying opportunities for new economic development.
- An Economic Analysis of the Greenstone Region to show which business types are under-represented in the local economy thereby represent opportunities for entrepreneurial development.
- A Marketing Study to identify targeted business sectors and make recommendations on programming for the Greenstone Region.
- An Ambassador Program designed to assist those involved in economic development to promote the local investment conditions, therefore supporting local business growth and retention.

This report is submitted in fulfillment of those objectives.

## COMMUNITY PROFILE

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### **GREENSTONE'S HISTORY - GOLD, LUMBER AND THE RAILROAD**

The communities of today's Municipality of Greenstone owe their existence to the three major forces that opened the North; the rich deposits found in the Beardmore/Geraldton Gold Camp, the forests that surround the communities in the region and the opening of CNR and the TransCanada Railroad.

#### **Pulpwood on Blackwater River - Beardmore ~ Circa 1945**



*Courtesy: Greenstone Portal*

Longlac is the oldest of the settlements in Greenstone, originally established as a Northwest Company Trading Post in the early 1800s. It became a regional forestry centre in 1948 and up until recently the community supported three major mills, Longlac Wood Industries, waferboard and plywood mills owned by Kruger and the Long Lake Forest Products lumber mill owned by Buchanan. Both Kruger mills have closed and the Long Lake Forest Products mill remains under an indefinite lay-off status.

#### **Unloading Freight on the CN rail line – Geraldton ~ Circa 1934**



*Courtesy: Greenstone Portal*

In 1912, the Canadian National Railway established a line between Longlac and Port Arthur (Thunder Bay) that ran along the shore of Orient Bay. With railway access and transportation capabilities, came the significant development of commercial fishery in MacDiarmid. Commercial fishing is still an important part of community economy today as is tourism. Resorts and charter cruises offer nature lovers a tranquil escape beneath some of the most striking views of the Pijitawabik Palisades can be found in MacDiarmid and Orient Bay area.

In 1914, the community, known then as Hector, was little more than a small station for Canadian Northern Railway. In 1916, Hector was renamed Jellicoe to honour British Admiral John Rushworth Jellicoe, recognized for his actions in the Cattle of Jutland in the Great War.

Caramat began as a C.N. railway flag station on the 1920's. Over time forestry and tourism have fueled the economy of the quaint northern village.

Nakina was an important railway service stop from 1923 until 1986. The town had a railway round-house as well as a watering and fueling capability. In the 1970s the development of the Nakina Forest Products lumber mill (also owned by Buchanan) resulted in the growth in the town's population to its peak of approximately 1200. Nakina Forest Products remains under an indefinite lay-off status.

Cost controls in the railway industry meant that service and maintenance could be consolidated at points much more distant from one another than had been common in the first half of the 20th century. As a result, the value of Nakina, Caramat and Jellicoe as railway service communities was greatly diminished, to the point where it was no longer a substantial employer in the town.

Nakina continues to be a jumping off point for remote northern regions with two air service companies, Nakina Air Service and Leuenberger Air Service, flying cargo and passengers to the hunting and fishing outfitters and mining operations further north.

#### **McLeod-Cockshutt Mine – Geraldton ~ Circa 1934**



*Courtesy: Premier Gold*

Geraldton and Beardmore were home to ten former producing gold mines between 1936 and 1970. The Geraldton-Beardmore Gold Camp has numerous mineralized zones which continue to be explored for potential development. The mines in Geraldton and Beardmore were closed in and around 1970 when economic conditions and a gold price of \$35 per ounce made them uneconomic.

## OUT-MIGRATION OF POPULATION

For the last decade the population of Greenstone has undergone a dramatic decline as families seek economic opportunity elsewhere. Historical population rates are difficult to determine due to changes in the municipal boundaries in 2001. Searching back records of Statistics Canada we can however show the decline in relative terms.

### Population Trends:

	Beardmore	Nakina	Longlac	Geraldton	Greenstone	%
1991	454	635	2,073	2,633		
1996	418	566	2,074	2,627		(1.89%)
2001	347	645	1,748	2,224	5,662	(8.40%)
2006					4,906	(15.40%)

Due to boundary changes that came into effect in 2001 the prior years population counts are not directly comparable to those in 2001. The following is the official table from the 2006 Census showing that the population decline of 15.4% or 756 persons compared to Thunder bay District and Ontario in the period 2001 to 2006.

Population	Greenstone	Thunder Bay District	Ontario
Population in 2006	4,906	149,063	12,160,282
Population in 2001	5,662	150,860	11,410,046
<b>2001 to 2006 population change (%)</b>	<b>-15.4%</b>	<b>-1.2%</b>	<b>6.6%</b>

Source – Statistics Canada – 2006 Census

## ABORIGINAL POPULATION

Greenstone has a substantial (20.1%) Aboriginal population based on 2006 Aboriginal Census. There may be some differences in the total counts due to the fact that self-identification as an Aboriginal person is voluntary in the Census.

Aboriginal Census 2006	Greenstone		Ontario	
Total population	4,860		12,028,900	
Total Aboriginal identity population	975	20.1%	242,490	2.0%
North American Indian - single response	620	12.8%	158,400	1.3%
Métis - single response	225	4.6%	73,610	0.6%
Inuit - single response	0	0.0%	2,035	0.0%
Multiple Aboriginal identity responses	75	1.5%	1,905	0.0%
Aboriginal responses not included elsewhere	60	1.2%	6,540	0.1%
Non-Aboriginal identity population	3,885	79.9%	11,786,405	98.0%
Total population	4,860	100.0%	12,028,895	100.0%
Registered Indian	695	14.3%	123,595	1.0%
Not a registered Indian	4,165	85.7%	11,905,300	99.0%

Source – Statistics Canada – 2006 Aboriginal Census

It is important to note that the 2006 Census pre-dates the recent closure of the two Kruger mills in Longlac and the impending indefinite lay-off of two mills (Buchanan mills in Nakina and Longlac) which collectively displaced an estimated 500+ workers. This will have exacerbated the economic pressure on families and forced more of them to leave the community in search of work.

## **AGE PROFILE REMAINS UNCHANGED**

With an out-migration of families seeking economic opportunity one would expect to see a rising number of seniors in Greenstone. Seniors tend to remain in the community for they are largely unaffected by downturns in the economy because they are no longer reliant on employment for their income.

An analysis of the 2006 census data however shows that irrespective of the outmigration from Greenstone, the balance of youth to adults to seniors in the community is the same as that for the Thunder Bay District and Ontario. .

The age profile for Greenstone is virtually identical to the Ontario average with slightly fewer seniors in the population mix especially when compared to Thunder Bay District.

<b>Age characteristics</b>	<b>Greenstone</b>		<b>Thunder Bay District</b>		<b>Ontario</b>	
Total population	4,905		149,060		12,160,285	
0 to 4 years	275	5.6%	6,940	4.7%	670,770	5.5%
5 to 9 years	285	5.8%	8,175	5.5%	721,590	5.9%
10 to 14 years	375	7.6%	9,940	6.7%	818,445	6.7%
15 to 19 years	335	6.8%	10,270	6.9%	833,115	6.9%
<b>Youth % of Total</b>	<b>25.89%</b>		<b>23.70%</b>		<b>25.03%</b>	
20 to 24 years	280	5.7%	9,460	6.3%	797,255	6.6%
25 to 29 years	260	5.3%	7,845	5.3%	743,695	6.1%
30 to 34 years	350	7.1%	8,345	5.6%	791,955	6.5%
35 to 39 years	315	6.4%	9,765	6.6%	883,990	7.3%
40 to 44 years	375	7.6%	11,860	8.0%	1,032,415	8.5%
45 to 49 years	475	9.7%	13,405	9.0%	991,970	8.2%
50 to 54 years	400	8.2%	12,225	8.2%	869,400	7.1%
55 to 59 years	370	7.5%	10,610	7.1%	774,530	6.4%
<b>Adult % of Total</b>	<b>57.59%</b>		<b>56.03%</b>		<b>56.62%</b>	
60 to 64 years	225	4.6%	7,610	5.1%	581,985	4.8%
65 to 69 years	185	3.8%	6,150	4.1%	466,240	3.8%
70 to 74 years	165	3.4%	5,390	3.6%	401,950	3.3%
75 to 79 years	125	2.5%	4,735	3.2%	338,910	2.8%
80 to 84 years	90	1.8%	3,630	2.4%	250,270	2.1%
85 years and over	40	0.8%	2,710	1.8%	191,810	1.6%
<b>Seniors % of Total</b>	<b>16.92%</b>		<b>20.28%</b>		<b>18.35%</b>	
Median age of the population	39.8 years		41.7 years		39 years	
% of the population aged 15 and over	81.1%		83.2%		81.8%	

Source – Statistics Canada – 2006 Census

## **INCOMES 12% HIGHER THAN PROVINCIAL AVERAGE**

Forestry and Mining jobs were well paying positions. An examination of the census data shows that average family income in 2005 was \$77,571 which is 12.1% higher than the provincial average and 12.5% higher than the average for Thunder Bay District. The family income for a two-income household was 13.9% higher than the Ontario average.

<b>Census Family Income - 2005</b>	Greenstone	TBay District	Ontario
Median income in 2005 - All census families	\$77,571	\$68,926	\$69,156
Median income in 2005 - Married-couple families	\$88,044	\$79,655	\$77,243
Median income in 2005 - Common-law-couple families	\$77,504	\$61,737	\$66,525
Median income in 2005 - Lone-parent families	\$45,958	\$34,811	\$38,448
Median income in 2005 - Female lone-parent families	\$39,362	\$31,688	\$36,496
Median income in 2005 - Male lone-parent families	\$55,888	\$50,064	\$50,339

Source – Statistics Canada – 2006 Census

### **HIGH DEGREE OF SINGLE FAMILY HOME OWNERSHIP ALTHOUGH HOUSING STOCK IS OLD AND PROPERTY VALUES LOW**

The profile of the housing stock in Greenstone suggests that because of high wages paid at the mines and the mills, there is a greater incidence of home-ownership especially of single family units than for Thunder Bay District or the province as a whole. Over 80% of the existing housing is single family homes compared to the District's 71.4% and Ontario as a whole (56.1%) and more than 78% of all dwellings are owned by the residents.

<b>Occupied private dwelling characteristics</b>	Greenstone	Thunder Bay District	Ontario
Total private dwellings occupied by usual residents	1,985	61,840	4,555,025
Single-detached houses	80.4%	71.4%	56.1%
Semi-detached houses	1.5%	3.6%	5.7%
Row houses	2.3%	2.4%	7.9%
Apartments; duplex	1.8%	4.1%	3.4%
Apartments in buildings with fewer than five storeys	7.3%	13%	10.8%
Apartments in buildings with five or more storeys	0%	4.4%	15.6%
Other dwellings	6.5%	1.1%	0.5%
<b>Number of owned dwellings</b>	<b>1,550</b>	<b>45,485</b>	<b>3,235,495</b>
<b>As a per cent</b>	<b>78.1%</b>	<b>73.6%</b>	<b>71.0%</b>
Number of rented dwellings	435	15,725	1,312,290
<b>As a per cent</b>	<b>21.9%</b>	<b>25.4%</b>	<b>28.8%</b>
<b>Number of dwellings constructed before 1986</b>	<b>1,745</b>	<b>49,720</b>	<b>3,124,010</b>
<b>As a per cent</b>	<b>87.9%</b>	<b>80.4%</b>	<b>68.6%</b>
Number of dwellings constructed between 1986 and 2006	240	12,115	1,431,020
<b>As a per cent</b>	<b>12.0%</b>	<b>19.5%</b>	<b>31.3%</b>
<b>Dwellings requiring major repair - as a % of total occupied private dwellings</b>	<b>9.3%</b>	<b>8.2%</b>	<b>6.6%</b>
Average number of rooms per dwelling	6.4	6.5	6.6
Dwellings with more than one person per room - as a % of total occupied private dwellings	0.8%	0.5%	1.9%
<b>Average value of owned dwelling (\$)</b>	<b>\$83,882</b>	<b>\$137,923</b>	<b>\$297,479</b>

Source – Statistics Canada – 2006 Census

However, reflecting economic conditions, the housing stock is generally older (97.0% built more than 20 years before compared to the Ontario average of 68.6%) and more properties (9.3%) are reported as requiring major repairs than is reported across the Province (6.6%). Housing values are also considerably lower in Greenstone (\$83,832) than either Thunder Bay District (\$137,923) or Ontario (\$297,479).

With the recent closure of the mills there are a great many vacant homes and store fronts particularly in Longlac. As a result property values are severely depressed. During the consultant's tour we heard of one bungalow near the lake selling for \$9,500, far below replacement cost.

### ***TRANSCANADA PIPELINE***

One other distinguishing feature of the community is that the Trans Canada Pipeline (natural gas) runs along the Hwy 11 right of way and traverses the entire length of the community. The property taxes by this pipeline account for 52% of the revenues of the Municipality of Greenstone.

This also means that natural gas is available as a fuel source in the community, which gives it a competitive advantage over many other regions of Northern Ontario.

## LOCATION QUOTIENT ANALYSIS HIGHLIGHTS FORESTRY AND MINING SECTORS

The following two tables examine the relative concentration of different industries in Greenstone from two perspectives – the occupations of residents and the number of people employed by each industry in the community.

To provide some perspective for these figures we have employed a “Location Quotients Analysis” which allows us to compare Greenstone to the Thunder Bay District and to Ontario in relative terms - and to compare Thunder Bay District to Ontario.

A Location Quotient or LQ is a simple ratio of the number of people employed in a given category to the total number of jobs in the community which is then compared to a reference area. In this case the reference areas are Thunder Bay District which we would expect to have a similar overall economic profile to Greenstone’s and to the Province of Ontario.

The formula for calculating LQ’s is:

$$LQ = \frac{(Employment\ in\ Industry\ "A"\ in\ Community) / (Total\ Employment\ in\ Community)}{(Employment\ in\ Industry\ "A"\ in\ Reference\ Area) / (Total\ Employment\ in\ Reference\ Area)}$$

### To read Location Quotients:

- **LQ greater than 1.0 – the region has a higher concentration of people employed in that industry than does the reference area (Thunder Bay District or Ontario)**
- **LQ equal to 1.0 – the region has the same concentration of people employed**
- **LQ less than 1.0 – the region has a lower concentration of people employed**
  
- **LQ’s in the middle range, for example 0.75 to 1.25, is considered to be in the normal range.**

**Caution: Due to the small sample size results are prone to errors.**

Location Quotient Analysis Occupation – NOCC Code	Greenstone		Thunder Bay District	Ontario
		LQ TB	LQ Ont.	
<b>Total experienced labour force 15 years and over</b>	<b>2,680</b>		<b>76,410</b>	<b>6,473,735</b>
Management occupations	185	0.9	5,890	666,485
Business; finance & administration	350	0.8	12,200	1,204,490
Natural, applied sciences & related	110	0.8	3,785	451,930
Health	135	0.7	5,445	340,690
Social science; education; government service & religion	185	0.7	7,365	546,385
Art; culture; recreation & sport	10	0.2	1,605	200,980
Sales and service	570	0.8	20,420	1,522,820
Trades; transport & equipment operators & related	535	1.1	13,365	911,250
Primary industry	265	2.4	3,090	165,085
Processing; manufacturing & utility	335	3.0	3,235	463,610

Source – Statistics Canada – 2006 Census

Location Quotient Analysis Industry - NAICS Code	Greenstone			Thunder Bay District	Ontario
		LQ TB	LQ Ont.		
<b>Total experienced labour force</b>	<b>2,680</b>			<b>76,405</b>	<b>6,473,730</b>
Agriculture/Resource-based industries	265	<b>1.5</b>	<b>3.4</b>	4,880	190,000
Construction	50	<b>0.4</b>	<b>0.3</b>	4,030	384,775
Manufacturing	705	<b>2.8</b>	<b>1.9</b>	7,200	899,670
Wholesale trade	40	<b>0.6</b>	<b>0.3</b>	2,045	307,465
Retail trade	250	<b>0.8</b>	<b>0.8</b>	9,220	720,235
Finance and real estate	75	<b>0.7</b>	<b>0.4</b>	2,880	442,610
Health care and social services	280	<b>0.7</b>	<b>1.1</b>	10,650	611,740
Educational services	255	<b>1.1</b>	<b>1.4</b>	6,705	433,485
Business services	270	<b>0.6</b>	<b>0.5</b>	12,045	1,274,345
Other services	495	<b>0.8</b>	<b>1.0</b>	16,750	1,209,390

Source – Statistics Canada – 2006 Census

There are no great surprises in the Location Quotient Analysis. It confirms and underscores our impressions of the economy of Greenstone.

The Location Quotient Analysis shows that three occupations (*highlighted in Red*) in Greenstone have significantly higher concentrations than either the Thunder Bay District which one would expect to have a similar economic makeup to Greenstone's, or the Province as a whole.

### **Occupations with High LQ's in Greenstone**

*Trades, Transport & Equipment Operators & Related Occupations  
Occupations Unique to Primary Industries  
Occupations Unique to Processing, Manufacturing and Utilities*

### **Industries with High LQ's in Greenstone**

*Agriculture and Resourced Based Industries  
Manufacturing*

Both the Forestry and Mining industries are divided between the harvesting of raw product and processing of the product. In the Forestry industry, for example the harvesting and gathering of wood, forest management etc. falls under the category of Resourced Based Industries, while the milling and shaping of wood into lumber, plywood or paper and other products falls under Manufacturing Industries. The same holds true for mining and minerals.

Both industries also rely heavily on truckers and heavy equipment operators. This is highlighted in the Location Quotient Analysis.

### **Occupations with Low LQ's in Greenstone**

*Arts, Culture, Recreation & Sports*

### **Industries with Low LQ's in Greenstone**

*Construction  
Wholesale Trade  
Finance & Real Estate  
Business Services*

It is clear that Greenstone will never be a mecca for the arts and culture. According to the 2006 Census there are only ten people employed in this category resulting in an extremely low Location Quotient.

As expected, the analysis also shows that the most industries in the commercial services sectors (wholesale trade, finance & real estate and business services) are all significantly under-represented. This is not surprising given small market for such services in a community of less than 5,000 people.

Construction was another sector that is under-represented. Construction is considered be a leading industry rather than following industry. This is a reflection of the declining population and limited demand for new construction. If the economy were to turn the sector would be one of the first to respond.

### **HIGH UNEMPLOYMENT**

**Important Note:**  
*The employment numbers shown in these tables predate most of the significant layoffs in the Greenstone economy.*

The official Unemployment Rate in 2006 was 11.3% compared to Thunder Bay District at 8.1% and Ontario's rate of 6.4%. We expect that today's rate will be significantly higher.

<b>Labour force activity</b>	<b>Greenstone</b>	<b>Thunder Bay District</b>	<b>Ontario</b>
<b>Total population 15 years and over</b>	<b>3,925</b>	<b>122,080</b>	<b>9,819,420</b>
In the labour force	2,745	77,775	6,587,580
Employed	2,430	71,445	6,164,245
Unemployed	310	6,330	423,335
Not in the labour force	1,185	44,305	3,231,840
Participation rate	69.9%	63.7%	67.1%
Employment rate	61.9%	58.5%	62.8%
<b>Unemployment rate</b>	<b>11.3%</b>	<b>8.1%</b>	<b>6.4%</b>

The Greenstone Economic Development Corporation web-site lists the major private employers. (Those marked with \*\* are on indefinite lay-off.)

<b>GREENSTONE MAJOR PRIVATE SECTOR EMPLOYERS</b>	
Long Lake Logging	46
Extra Foods	40
Cloutier Builders Supplies	30
Nakina Air Service	20
Long Lake Forest Products	260**
Nakina Forest Products	170**

Source: GEDC Web-Site 2009

We have not been able to determine the current unemployment rates for Greenstone or Thunder Bay District but with all three of Greenstone's major employers idled it would be staggering.

## ***ECONOMIC BASE THEORY – How Local Economies Function***

Before beginning a discussion of opportunities for the Greenstone Region it is important that stakeholders have an understanding of how local economies function. One of the most common models used to describe the functioning of local economies is called ***Economic Base Theory***. In this model all business activity falls into one of two categories:

- ✓ “***Basic***” industries are those businesses that produce goods and services for sale outside the local marketplace. Traditional examples of “basic” industries are agriculture and resource-based industries, manufacturing and tourism. Increasingly there are exportable services including finance and insurance, software and information technologies, engineering and architectural design. The revenue from selling goods and services outside the local economy represents “new wealth” that is added to the wealth circulating in the community. By paying wages and buying good and services locally, *Basic* industries stimulate the development of other businesses in the local economy.
- ✓ “***Non-Basic***” industries are all the other businesses that serve primarily local customers. They include most retail, personal and business services, health care providers, elementary and secondary education, etc. They are important for because they trap and hold the wealth that comes into a community and redistribute it throughout the community.

There will be “*Basic*” elements found in “*Non-Basic*” industries. For example, to the extent that a restaurant (or any other business for that matter) attracts customers from outside the local marketplace, a portion of their business becomes “*Basic*”.

Why is the “*Basic/Non-Basic*” distinction important?

According to Economic Base Theory, to strengthen the local economy one needs to stimulate the development of the “*Basic*” sector. A growing “*Basic*” sector produces growth in all other sectors of the local economy and therefore it is identified as the “engine” or “economic base” of the local economy.

This is the reason why economic development programs focus on resource-based industries, manufacturing, exportable services such as call centres and tourism industries. Also, the size and growth of a community’s “*Basic*” industries is not constrained by the size of the local marketplace. Assuming there is sufficient labour available to meet production demands in a manufacturing context or to service the numbers of visitors coming to your attractions, there is virtually no limit to how large a “*Basic*” industry can grow.

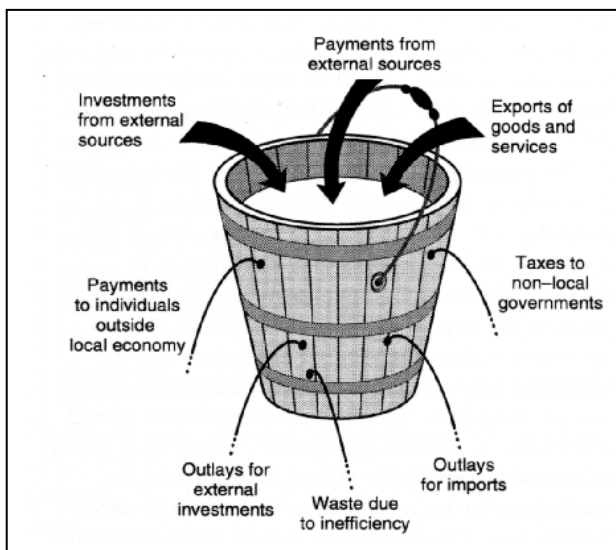
It follows then that a strict interpretation of Economic Base Theory would suggest that economic developers needn’t concern themselves with retail and service businesses in their community because - all things being equal - the size of the service sector (the “*Non-Basic*” industries) is governed entirely by the size the local marketplace. However all things are not always equal and local markets seldom operate as efficiently as the theories would suggest, especially in a regional marketplace.

Smaller communities typically experience “economic leakage” to larger commercial centres, especially if the larger centre is close by. This is due to a phenomenon called “retail gravitation” in which larger centres exert a “pull” on the retail and service expenditures of smaller communities, much like the force of gravity in physics. Because of this, many “non-basic” business sectors are often under-represented in smaller communities.

To help illustrate the dynamics of the marketplace imagine the local economy is a bucket of water and that the water in the bucket represents the wealth of the community. The water is stirred by economic activity. It swirls around to every part of the bucket. It goes from person to person, business to business, person to business and is constantly moving.

One person purchases a house and the realtor makes a deposit at the bank. The banker makes a loan to another person who buys a car. The car salesman buys a new shirt. The storeowner pays a life insurance premium. The insurance agent pays his school tax. The teacher pays the water bill. The money moves on and on.

However there are holes in the bucket through which water (the wealth of the community) leaks out. Manufacturers purchase raw materials from suppliers outside the local marketplace. Retailers import the items that stock their shelves. Income taxes and sales taxes leave the local economy. Even the money invested by individuals for their retirement leaves the local economy. The list goes on and on. The process is dynamic and in constant motion.



For a local economy to be healthy, vibrant and growing, the flow of new money into the community needs to exceed the amount of money leaking out. This underscores the importance of your Basic Industries.

Economic developers also need to plug as many of the bucket's holes as possible - through programs of "import substitution" and "entrepreneurial development" because the leaks in the bucket prevent the community from growing to its full potential.

Therefore the goal of any economic development program should be to raise the water level (wealth) in the bucket and

there are fundamentally only two ways to do this:

1. Increase the flow of new investment into the community by attracting tourists and outside investment and by stimulating exports.
2. Plug leaks in the bucket through programs of import substitution and entrepreneurial development to fill gaps in the mix of retail and service businesses.

## ***THE PRESENT SITUATION***

The current economic situation in Greenstone is not bright. All communities in Greenstone are experiencing depressed conditions to one degree or another.

Caramat is a residential community physically separated (exclaved) from the rest of Greenstone and has very little commercial activity. In our interviews we learned that they are experiencing a slow and steady decline in population, as we suspect are several other communities. Jellicoe, MacDiarmid and Beardmore all have limited commercial development.

Nakina (which is also exclaved from Greenstone) has lost the Buchanan Mill.

Geraldton is the commercial and administrative centre for the region with the Geraldton Hospital and the school boards providing approximately 200 jobs. The municipal offices and Ministry of Natural Resources provide employment for another 100+/-.

Extra Foods, the local grocer, is now the largest private sector employer in the community with an estimated payroll of 40 persons.

Actlabs (Activation Laboratories Ltd.) is the newest businesses to establish in Geraldton. This company provides analytical services (assays, etc.) to the mining industry and has located in Geraldton to be close to their customer, Premier Gold. The company reportedly employs 12 people with potential to grow to 30 in the future.

There are two airports located in the Municipality of Greenstone. One is located in Nakina and the other in Geraldton. Both airports are owned by the Municipality of Greenstone. The Nakina airport is managed under contract by Nakina Air Services and the Geraldton Airport is managed by a municipal staff member.

The Greenstone Regional Airport (previously known as the Geraldton District Airport) was constructed in 1978 and is situated on a 245 hectare (630 acre) site approximately fourteen kilometres north of the Trans-Canada Highway 11. A commercial airside park, consisting of five lots, was established seven years ago to meet the demand for air service-related businesses wishing to locate alongside the airport. Currently, all this space is occupied, and the Municipality wishes to implement recommendations in the Airport Master Plan aimed at the creation of additional commercial sites in order to build critical mass in the region's existing airline service industry. This is particularly important, in light of downturns in the primary and secondary forest product sector. Forestry has traditionally been the major regional employer, and it is now essential to diversify the economy.

This project involves support for a project to expand the Commercial Airside Development located adjacent to the Greenstone Regional Airport. The goal is to expand existing commercial space by adding nine new serviced lots. Infrastructure developments include natural gas, electricity, broadband, water, telephone, lighting, and year-round road access.

The Elmer Ruddick Nakina Airport was constructed back in the 1930's and was originally 3 runways built for the war as an emergency strip.

This airport has been a staging point to the north all these years and is busier than ever. It presently has a single runway of 3,500 feet, no building lots and small outgrown fueling facility and outgrown apron. There are 10 to 15 flights per day and numerous scheduled flights to Thunder Bay and Native Reserves plus many flights to mining companies operating in the North.

Aircraft as large as the 748, DC3, Shorts and Buffaloes have frequent the airport but aircraft such as the c-46 and Hercules have had to go further south to operate.

Of particular interest are three aviation related businesses located in Greenstone.

Nakina Air Service located at the Nakina Airport has 10 aircraft in service flying in and out of the remote regions in the north serving hunting and fishing outfitters, First Nations groups and mining camps. They support approximately 15 outfitting businesses operating more than 100 camps in wilderness settings. Nakina Air also provides regular daily flights to Thunder Bay and has approximately 100 aircraft movements per month (3 or 4 each day).

Leuenberger Air Service Limited, began operations in 1960 as a tourist operation, and began Commercial Air Charter Operations in 1973 servicing northern communities, and the mining industry for the past 37 years. Leuenberger also operates both a Lodge and 16 remote cabins on different lakes through out the area north of Nakina, and as well Charter flying for several other outfitters.

Recon Air located at the Greenstone Regional Airport is an interesting entrepreneurial business. They buy downed and damaged aircraft (bush planes) and rebuild / restore them for resale in the open market. Recon employs approximately 12 people and sells 2 to 3 aircraft each year. A wrecked fuselage is worth about \$250,000 while the resale value of a fully restored aircraft can be in the \$1.5 million range. This makes it a high value added business for a firm with the necessary in-house skills.

Conditions in Longlac are exceptionally depressed. With the closure of the two Kruger mills and the indefinite lay-off's of workers from the Buchanan mill in the community there is little economic activity other than serving the truckers transiting Hwy 11. There are numerous boarded up houses and storefronts and real estate signs on most lawns.

The balance of the economic activity is comprised mostly of entrepreneurial small businesses. In our interviews with stakeholders we found a number of cases of local business people who were "serial entrepreneurs" with investments in more than one venture.

# GAP ANALYSIS

## SWOT ANALYSIS

On November 27<sup>th</sup>, 2009 the GEDC held a Community Meeting with a wide variety of stakeholders in Greenstone’s economic development. The meeting had two components:

- A presentation of “Best Practices” in economic development to provide participants with background information on the fundamentals of economic development
- To conduct a SWOT analysis facilitated by the consultant retained to prepare Greenstone’s Gap Analysis and Marketing Plan.

A copy of the “Best Practices” presentation is appended to this report.

The SWOT (Strengths, Weaknesses, and Opportunities & Threats) Analysis resulted in a serious discussion among approximately 20 stakeholders representing many different stakeholders in the community. We were impressed by the caliber of the discussion and the unique insights most participants possessed.

Strengths	Weakness
<ul style="list-style-type: none"> <li>• Greenstone is comprised of 4 distinct communities with full urban infrastructure in place                             <ul style="list-style-type: none"> <li>– Health, EMS and Volunteer Fire services available in all communities</li> <li>– Soft Infrastructure – Education, Childcare</li> </ul> </li> <li>• Residents of Greenstone enjoy the Outdoors, hunting, fishing, water activities, snowmobiling, etc.</li> <li>• Fibre/Broadband availability is generally good through the urban area</li> <li>• Transportation Infrastructure (Hwy 11 and Rail Systems) is excellent                             <ul style="list-style-type: none"> <li>– 2 Airports providing a jumping off point for the north</li> </ul> </li> <li>• Ample affordable housing with additional building lots available in Geraldton</li> <li>• <b>Natural Resources in abundance</b></li> <li>• Hydro and Natural Gas availability – natural gas in particular represents a competitive advantage to Greenstone communities</li> <li>• Employment Lands available</li> <li>• Available workforce – dedicated, responsive</li> <li>• Hon. Michael Gravelle, Minister of Northern Development and Mines represents this riding</li> </ul>	<ul style="list-style-type: none"> <li>• GEDC/Municipality/Chamber Interface is not as strong as it should be</li> <li>• Hydro line serving Hwy 11 corridor is not looped – leads to outages</li> <li>• Fibre not available everywhere</li> <li>• Greenstone is remote from major markets</li> <li>• Cost of transportation to market is an impediment to doing business in Greenstone</li> <li>• Bus and train service limited</li> <li>• Stakeholders (Municipality, Chamber &amp; GEDC) need to agree on a central point for Investor Servicing</li> <li>• Relations with First Nations communities needs improvement</li> <li>• Need a plan to get through the next three to four years</li> <li>• Nakina Airport needs investment to lengthen runway from 3,500 to 5,000 ft. and add fueling capacity (there is currently on 1 ½ days supply of fuel on site)</li> <li>• Available industrial land in Longlac is not serviced</li> <li>• Lack of capacity in sewage treatment infrastructure in Geraldton and Longlac.</li> <li>• Nakina has no restaurant.</li> <li>• Aging hotel/motel accommodations Geraldton and Longlac.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Gold mining in Geraldton/Beardmore and the “Ring of Fire” represent the most significant opportunity for development in generation. Communities needs to begin planning today to provide the services and supports required by the mining operations</li> <li>• Opportunity to work more closely with First Nations to extend the labour force</li> <li>• Greenstone has an opportunity to develop improved capacity to service the remote North through Nakina both via air services and the proposed rail line</li> <li>• Work with mines to determine their needs</li> <li>• Changing rules in forestry allocations may present opportunities to harvest wood for other purposed</li> <li>• Mining activity once underway will expand the economy creating additional entrepreneurial opportunities</li> <li>• New activity will create demand for new updated accommodations</li> <li>• Greenstone can secure procurement opportunities through a “reverse trade” expo</li> </ul>	<ul style="list-style-type: none"> <li>• Falling price of Gold would stall or kill plans by Premier, Roxmark and others</li> <li>• Delays in mine development due to unsuccessful negotiations</li> <li>• The community has no control over key decisions in either mining or forestry industries</li> <li>• Failure to upgrade the sewage treatment capacity in Longlac and Geraldton will stifle growth and force companies to source their service and supply requirements elsewhere.</li> <li>• Failure to make necessary investments in Nakina Airport (runway extension and increased fuel capacity) will impede growth in air services forcing the use of alternate airports</li> <li>• The community has no Plan “B”</li> </ul>

### **SWOT –Big Picture**

#### **Strength**

Greenstones’ greatest asset is the wealth in the ground all around it. All indications suggest that mineral extraction will begin within five years.

#### **Weakness**

Several pieces of necessary infrastructure are not yet in place to allow the community to capitalize on that opportunity.

#### **Opportunity**

Greenstone is in a unique position to establish itself as the service and supply point not only for the gold fields in its own back yard but also the “Ring of Fire” project 300 kilometres to the north.

#### **Threat**

There are three very real threats.

1. The price of gold is a critical factor over which there is no control.
2. Failing to come to terms with on-going negotiations could cause significant delays.
3. Failure to make strategic investments now that will ensure the infrastructure is adequate to handle the expected growth will result in a missed opportunity.

And as one participant observed in our discussion “**there is no Plan B**”. If the mining developments do not proceed for whatever reason, or Greenstone fails to capitalize on the opportunity presented it, the community’s raison d’être evaporates.

## **INFRASTRUCTURE GAPS**

There are several key pieces of infrastructure in Greenstone which need to be in place if the community is to take advantage of the opportunities presented by the development of the gold mines in Geraldton/Beardmore and the “Ring of Fire”.

All the communities of Greenstone enjoy urban services to a greater or lesser degree. There are piped sewer and water services, hydro and natural gas, high speed internet and 3G cell service throughout most urban areas. These are advantages that other Northern communities don’t always possess.

However there are gaps in the infrastructure.

### **Sewage Treatment Capacity**

Data obtained from the Ontario Clean Water Agency highlights the fact **Longlac** and **Geraldton** are experiencing maximum flows more than double the design capacity of their sewage treatment plants. Unless this issue is resolved, it is possible that there could be a freeze imposed on new development. The sewage treatment facilities in **Nakina** are approaching capacity.

The data for the waste water plants are as follows:

<b>Water/Sewage Capacity</b>		<b>Sewage</b>	<b>Water</b>
<b>Beardmore</b>	Avg.	302 m3/day	753 m3/day
	Max.	463 m3/day	
	Design	1,362 m3/day	
<b>Nakina</b>	Avg.	476 m3/day	2,000 m3/day
	Max.	1,556 m3/day	
	Design	1,704 m3/day	
<b>Longlac</b>	Avg.	1,848 m3/day	4,550 m3/day
	<b>Max.</b>	<b>5,835 m3/day</b>	
	<b>Design</b>	<b>2,454 m3/day</b>	
<b>Geraldton</b>	Avg.	1,904 m3/day	6,048 m3/day
	<b>Max.</b>	<b>5,605 m3/day</b>	
	<b>Design</b>	<b>2,500 m3/day</b>	

The average and max flows are 2009 data. The design flows are per the C of A and/or the MOE inspection reports.

### **Recommendation**

It is recommended that the Municipality of Greenstone make an urgent appeal to the Provincial government for assistance in upgrading sewage treatment capacity in the communities of Longlac and Geraldton or risk losing development opportunities arising from the development of gold mines by Premier Gold, Roxmark and other players now working in the community.

### **Nakina Airport Infrastructure**

There is significant growth in demand for air service out of Nakina due to the surge in prospecting throughout the north, as well as the excitement that has been generated as a result of the public announcements by Noront Resources Inc. and Cliffs Natural Resources about the development of their “Ring of Fire” properties.

Three improvements at the airport are necessary to capture this growth.

- An extension of the runway from the existing 3,500 ft to 5,000 ft.
- An increase in the fuel storage capacity on the airport from the current 50,000 liters (1½ day supply) to at least two tanks of 70,000 liters each.
- The development of commercial/industrial building lots at the airport to serve additional air service companies opening up the north.

A weather delay or other impediment to the delivery of fuel to Nakina can ground aircraft until there is delivery of additional fuel. This severely undermines the reputation of the Nakina Airport as a secure supply and service point for the north.

#### **Recommendation**

It is recommended that the Municipality of Greenstone take immediate steps to extend the runway at the Nakina Airport to 5,000 ft., and add to the fuel storage capacity available on site.

It is also recommended that the Municipality develop a limited number of building lots (6 to 10) at the airport (similar to what has been done at Geraldton Airport) to ensure the continued growth and development of air services business and the Nakina Airport itself.

### **Provision of “Shovel Ready” Industrial Land in Geraldton**

Inquiries of the Municipality of Greenstone reveal that the current inventory of municipal industrial land consists of two parcels:

Longlac

936.5 acres of undeveloped land on the northeast side of Longlac

Geraldton Airport (for lease only)

~ 4.2 acres of partially serviced land at the Geraldton Airport

- The property is divided into 9 lots of 0.45 acres each, serviced with water (septic tanks are permitted) available for lease from the Municipality.

The large tract of land in Longlac will be of limited interest to the mining operations in Geraldton due to distance. It is however well suited for the development of a new mill sometime on the future and therefore should be held by the Municipality for future development.

The development of a small tract of building lots at Nakina Airport similar to those recently opened at the Geraldton Airport would put both airports in a good position to attract new air service companies servicing Premier Gold and the Ring of Fire.

The Premier Gold site is right on Hwy 11 and in fact a re-alignment of the highway around the mine is being considered. To take full advantage of this large capital investment, it is imperative that the Municipality move quickly to address the sewage capacity constraints as already referred to in our recommendations and add a supply of “shovel ready” industrial land in the Hwy 11 corridor in Geraldton where most of the mining activity will take place.

**Recommendation**

In addition to the land recommended for development at the Nakina Airport, we recommend the creation of an industrial park of between 40 and 60 acres with room to expand along the Hwy 11 corridor. The land should be zoned industrial and subdivided into serviced building lots of 2.5 to 5.0 acres.

“Shovel ready” is a term used by Site Selectors and refers to land that is zoned, serviced and immediately available for sale to an appropriate user.

**Sufficient Labour Supply**

For relocating businesses the two most important site selection criteria are typically the immediate availability of land or buildings to suit their requirements and an adequate pool of labour from which to draw their potential employees. The quality of the labour pool becomes more critical as the skill levels increase.

The collapse of the forestry industry in the region was a double edged sword. It has caused anguish and pain for hundreds of families but it has also assured an ample supply of labour to meet the demands of the mining companies and their contractors currently considering new projects in the Greenstone area.

The Greenstone Labour Adjustment Committee which was created following the closure and the impending lay-off of the three mills in the region has provided the following information.

There were 737 workers affected by the closure of Longlac Wood Industries, Nakina Forest Products and Long Lake Forest Products and another 77 within the community whose layoffs could be attributed to those closures producing a total caseload of 814 affected workers in Greenstone.

As of October 31<sup>st</sup>, 2009 the disposition of those workers is:

- 79 have moved
- 10 are on sick leave
- 16 have retired
- 3 are self employed
- 145 are working full-time permanent
- 137 are in school full-time

58% of the displaced workers (424) are still seeking employment opportunities.

Premier Gold's labour force requirements are in the order of 300 during construction, settling out at about 200 workers once fully operational. It appears there will be a more than adequate supply of labour.

### **Security of Supply of Electricity**

Several of our interviews highlighted a problem with the electrical supply in the region. Because Greenstone is on the end of the transmission line and there is no line looping in from the east, the security of supply is limited. There are reports of frequent voltage spikes and loss of power.

Secure power supplies will be required by the mining operations for processing the ore. The issue will be an economic one but working together the mining companies along Hwy 11 and the Municipality of Greenstone might have a chance to influence Hydro One to twin the transmission lines serving the area thereby securing the supply for all users.

#### **Recommendation**

It is recommended that the GEDC convene a meeting of power users who are or expect to be operating in the Geraldton/Beardmore Gold Camp, along with representatives from the Municipality and the Chamber of Commerce to develop a list of (future) power requirements for discussion with Hydro One to see if there is an economic method of improving the hydro service to the region.

## MARKET STUDY

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The Greenstone Economic Development Corporation conducted a series of face to face interviews with keys stakeholders in the community in late November, including representatives of several of the mining companies which are studying the mineral deposits in the region.

One of the principle purposes of these interviews was to develop an assessment of future prospects for Greenstone's two key industries - forestry and mining - The identified future prospects which may be entrepreneurially driven, may access some financing through the GEDC Investment Fund and access to the Northwestern Ontario Investment Pool.

### ***Opportunities in the Forestry Sector***

#### Longlac Wood Industries

At the time of this writing, efforts are underway by a local group in Greenstone to acquire control of the former Longlac Wood Industries mill from Kruger Industries. A new consortium called Kenogami Industries Inc. (KII) has been created made up of:

- Rocky Shore Development Corporation of Ginoogaming First Nation,
- Boreal Resource Industries, a group of former Longlac Wood Industries employees, and
- Greenstone Development Ltd., a new corporation created by the Municipality of Greenstone

They have secured agreement from Kruger Industries to acquire title to the lands and buildings of the former plywood operation, along with a contribution from Kruger of \$500,000 towards site remediation. The property consists of two buildings of 150,000 square feet and 231,000 square feet.

The objective of the consortium is to preserve the asset (land and buildings) in Longlac and to seek other potential interests able to re-establish production in a value added wood products operation.

The Consortium is considering a report from Woodridge Associates (Vancouver) on a \$120 million project to establish a parallel strand lumber operation. However at this point in time no investor has been identified and concern was expressed by some interviewees that the operating costs would be too high to make the project viable under current market conditions which include a depressed construction industry, high \$C and barriers to wood exports to the US.

#### Staged Competition for Crown Wood Supply

On November 26<sup>th</sup>, 2009 the Ontario Ministry of Northern Development, Mines and Forests announced changes to the way in which wood resources will be administered in Ontario. They opened a competitive process for the use of about 11 million cubic metres of wood. The competitive process is open to anyone – including existing and new forest companies – interested in using Crown wood supply and investing in Ontario. Proposals will be evaluated on a number of criteria, including fostering effective, cooperative relationships between industry and Aboriginal communities.

This opens up new opportunities for the use of large amounts of wood that is currently controlled by businesses no longer in production.

At this stage it is not clear what the implications will be for the forest tracks around Greenstone or the supplies of wood previously reserved for the mills in Greenstone.

## Opportunities in the Mining Sector

### Ring of Fire

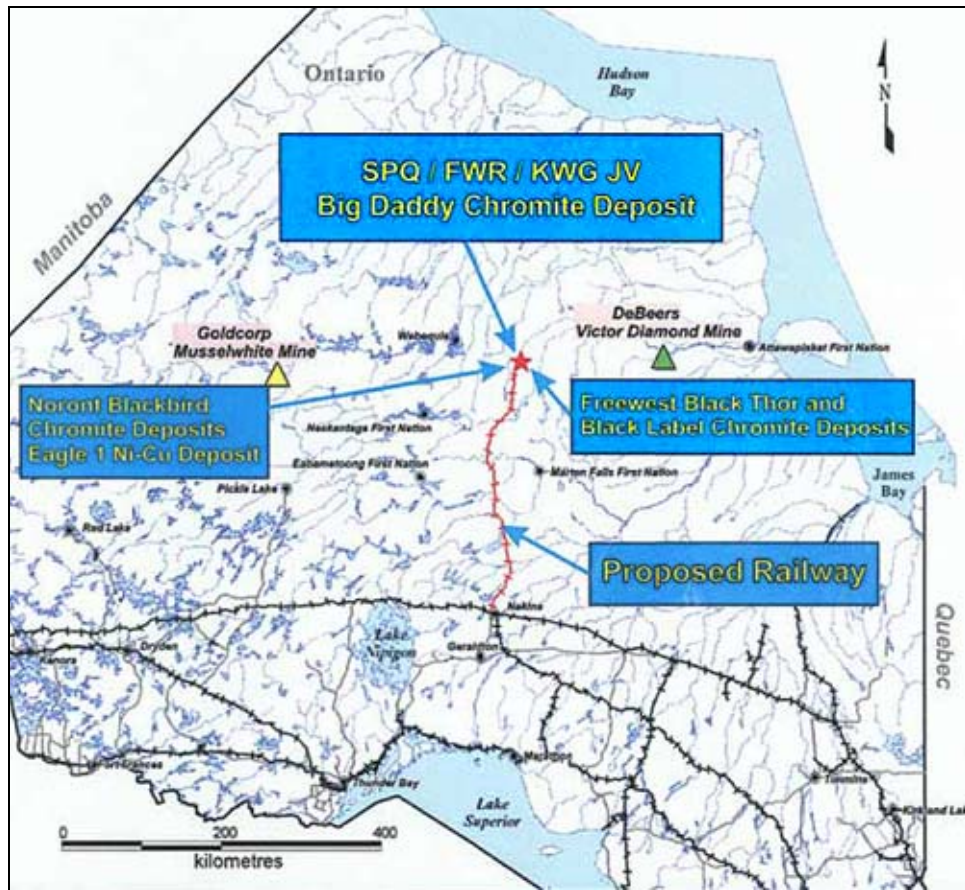
One of the most significant developments in the Canadian mining industry over the last few decades has been the discovery of huge deposits of precious metals in the area called the “Ring of Fire” in the James Bay lowlands, 300 km north of Greenstone.

The extent of the deposits is not yet fully known but geologists have found platinum, palladium and most significantly deposits of chromite which is used in the production of stainless steel. It has been suggested that there is a 100 year supply of chromite.

The competition for these rich mineral deposits has stimulated a bidding war involving Noront Resources Inc. of Toronto and US based Cliffs Natural Resources of Cleveland competing for the shares of Freewest Resources Canada Inc. of Montreal. As of this writing Noront closed their offer (Dec. 15<sup>th</sup>) and managed to secure only 4.5% of Freewest Shares. Cliffs offer is still open until January 15<sup>th</sup>.

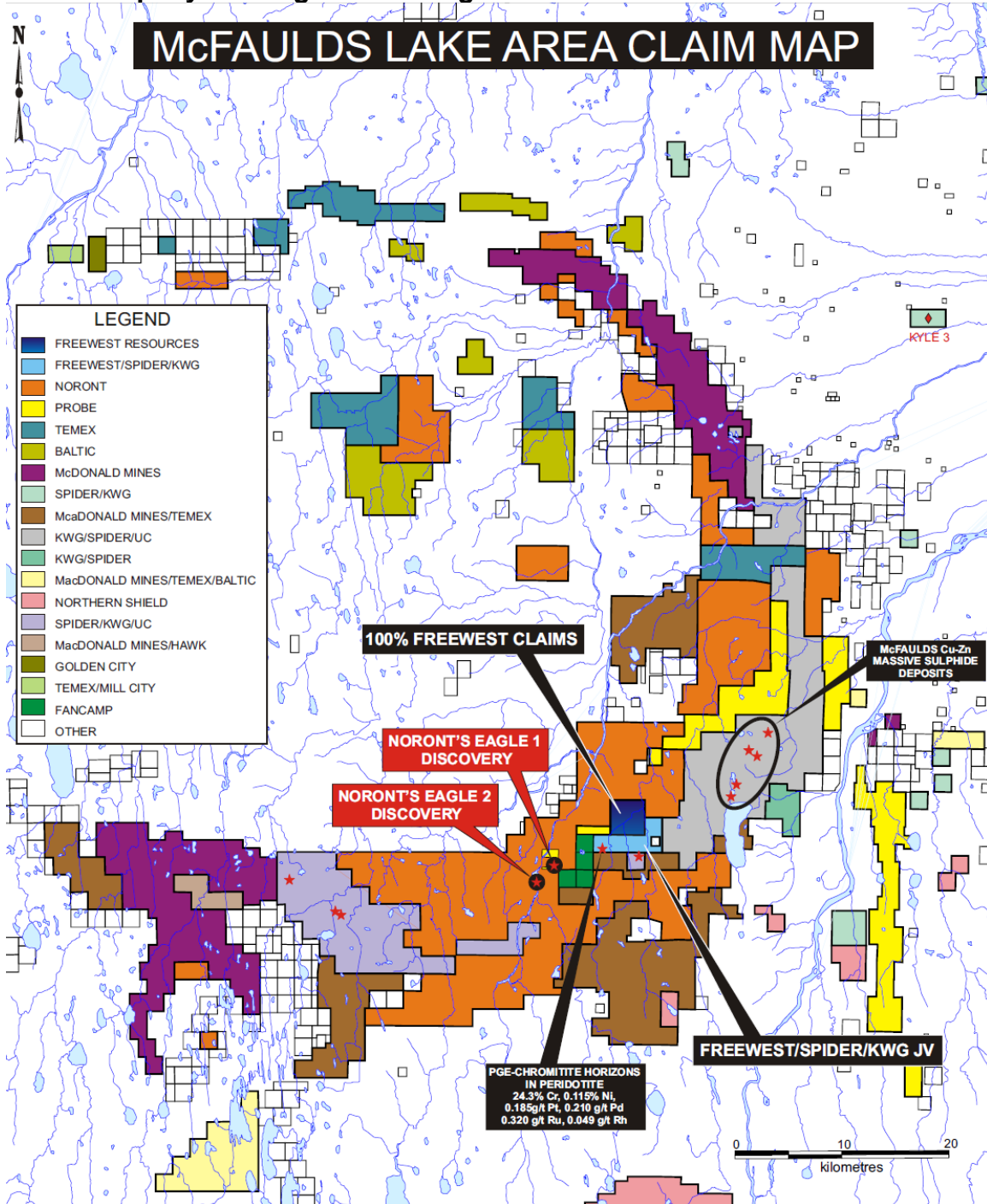
According to company press releases Cliffs promises an open pit chromite mine and ferrochrome mill together worth \$800 million U.S. by 2015, while Noront offers a nickel-copper mine by 2016, though chromite production would take longer because of high infrastructure costs.

Nakina stands to be the logical supply point for the Ring of Fire as well as the Victorville Diamond Mine operated by De Beers which lies to the east.



Source: Cliffs Media Release – Nov. 27, 2009

## Mine Company Holdings in the Ring of Fire



Source: Freewest Web-site

Currently there is discussion about plans to build a \$680 million road/rail line north from the CN junction at Nakina. SNC Lavalin is expected to finalize the feasibility study on the preferred routes and mode of transportation, as well as the other alternatives, by the fourth quarter of 2010.

The opportunity for the subsequent development of a ferrochrome smelter, which has excited several local stakeholders, is complicated by the requirement for significant power supply in the

order of 400-500 megawatts. It appears Ontario's current power generation or transmission capacity can not handle this expanded electrical load and that the development of the power supply project alone would extend the ferrochrome project past 2016.

The chromite deposits on the Ring of Fire will be exploited and within a time-frame of approximately 5 years +/- . Whatever the outcome of the smelter discussion, there is an opportunity for Greenstone to serve as the distribution centre for the north.

#### Beardmore/Geraldton Gold Camp

Geraldton was founded originally as a gold mining camp known as Little Longlac in the early 1930's. Ten gold mines fed the fires of a booming local economy for more than 30 years until a combination of market forces and a world gold price of \$35 per ounce made the gold fields uneconomic.

Now some 40 years later, the world price of gold is at record high prices (*over C\$1,150 per ounce*) making these properties once again attractive for mining. There are two main proponents' currently planning mining operations to commence in the next few years;

- Premier Gold on the Geraldton site and
- Roxmark Mines Ltd in the Beardmore area. (*Note: as of this writing, Roxmark is in discussion with Ontex Resources Ltd about a merger of the two companies who both have holdings in the Geraldton/Beardmore area.*)

#### **New Drilling in Geraldton - 2009**



Source: Premier Gold Web-Site

**Premier Gold Mines Limited**, headquartered in Thunder Bay, acquired the former Lac Properties from Barrick Resources in 2008 and has been actively drilling test holes throughout the site to define the extent of the deposits. They currently propose a combination of open pit and shaft operations beginning in approximately 5 years time. In the meantime they need to complete negotiations with several First Nations groups and start “de-watering” of the existing networks. They will also have to begin constructing the basic infrastructure required to support mining operations.

During the construction phase employment is expected to be approximately 300 people. It is expected to settle out at approximately 200 employees once the operation reaches a steady state. The total investment is estimated in the \$200 million range.

**Roxmark Mines Limited** which is headquartered in Toronto is preparing to begin operations on a site in Beardmore although on a somewhat smaller scale. Roxmark and **Ontex Resources Ltd** are planning a merger of their two companies who both have holdings in the Geraldton/Beardmore area. Pending the first meeting of the new board of directors our contact at Roxmark was reluctant to share details of their proposals with us.

Both projects are deemed viable and appear to be proceeding. It is expected that both will be fully operational within five years barring a material change in the price of gold or other calamitous event.

Because Geraldton is the site of one of the mines and is the commercial service centre for the region it will no doubt benefit the most from the opening of the new mines however the addition of 200 jobs in the local economy will be felt in every part of Greenstone.

*Now is the time for Greenstone and the GEDC to open lines of communication with the mining and development companies (Cliffs Natural Resources, Noront Resources Inc., Premier Gold Mines Limited and Roxmark Mines Ltd. and others) and those companies who will likely be selected as contractors to find out what their needs will be as they go forward. Greenstone has a chance to build the infrastructure and supports to fully capitalize on these developments.*

### ***Opportunities in the Tourism Sector***

Two of the communities in Greenstone, Geraldton and Longlac appear to have a fairly large inventory of transient accommodations (hotel and motel rooms) which undoubtedly date back to the 1970's when both the gold mines Geraldton and the mills in Longlac were attracting commercial and business travelers to the area.

With the exception of the Four Winds Motel in Longlac which undertook significant expansions (13 and 20 additional rooms respectively) in 1997 and 2006, most of inventory is somewhat dated and it appears there has not been a substantial re-investment in some years.

The same can be said for Nakina. There is a motel bordering the airport but we were told there are no restaurants open currently to serve travelers heading north through Nakina Air Services.

Both the Ring and Fire and the Beardmore/Geraldton Gold Camp estimate it will be 2015 before they become substantially underway. They will generate new demand for accommodations and food and beverage services.

Prudent entrepreneurs may wish to begin making plans to service that demand.

It is important to note that hotels, restaurants and other tourist services do not generate new economic activity themselves – they merely serve the demand that already exists for their services. They are at the end of the food chain.

In addition to the commercial travelers visiting the mines and mills, there is a small but high value added market for outfitting hunters and fisherman heading north to the approximately 100

wilderness camps operated by the 15 outfitters that are served by Nakina Air Service and Leuenberger Air Service.

The hunting and fishing market is currently depressed due to economic conditions, the exchange rate and the increasing difficulties Americans have travelling outside their own country, however as access to the north is improved as a result of the development of the Ring of Fire, this could lead to additional business opportunities although it is pretty early to tell.

### ***Opportunities in the Service Sector***

The return of the gold mines and the new opportunities stimulated by the exploitation of the Ring Fire will stimulate economic activity in Greenstone. In effect it will be like turning on the tap in the bucket and watching the water level begin to rise. The re-growth of the region's Basic Industries will stimulate growth in a wide range of personal and business services.

GEDC's role is obvious. As the primary provider of "Business Advisory Services" they are going to be needed to counsel potential business people and assist them in undertaking the market research and business planning that will contribute to their success.

GEDC is well placed to support increased levels of entrepreneurial activity. Their investment fund has been re-capitalized and they have \$2.6 million available to support new businesses in the community.

#### **Recommendation**

It is recommended that Greenstone Economic Development Corporation launch an Awareness Campaign with the aim of informing the Greenstone region about the services provided by GEDC to the business community including the availability of capitalization to support all businesses in the community.

## **MARKETING STRATEGY**

### **“Stake a Claim where the Past meets the Future”**

Going forward we envision the GEDC continuing to do a lot of the things they are currently doing. We believe a strategy of shifting focus from the Forestry to the Mining sector is the appropriate one to take in this economic climate.

The Forestry industry across Ontario is undergoing a fundamental transformation and it is difficult to forecast what it will look like in the next few years. The Canadian dollar is still working against Canadian product in the US and Canadian companies continue to face regulatory trade obstacles accessing US markets. Buchanan which was a major player in the Northwest is in bankruptcy and it is really unclear what will happen to their assets, many of which we are told are old and obsolete.

On the other hand the price of Gold is at record levels and as a result of recent explorations the ore deposits in the Geraldton/Beardmore Camp are proven. The Ring of Fire opportunity, even though it is over 300kms away, promises to have a major impact on Nakina and Greenstone in general.

***Moving forward we recommend a two-pronged approach to  
GEDC's economic development programs***

### **First Prong - Mining Focus**

#### **Corporate Liaison Program**

One of the first and most important initiatives recommended is something the GEDC has already begun – building relationships with the senior management of the companies making investments in Greenstone.

GEDC needs to be on a first name basis with the key decision makers in these companies, building relationships based on trust and mutual benefit. It is important that mining executives know they can count on support from the GEDC - and the community at large - and that they can trust the GEDC to work in their best interests. In this way the community and companies work together to ensure their mutual benefit.

There is no direct cost associated with this initiative however it could involve travel to the corporate headquarters of some companies from time to time (Toronto, Montreal, Cleveland, Thunder Bay)

#### **Procurement Expo(s)**

A vitally important role for the GEDC is to ensure that local entrepreneurs and contractors are able to benefit from the procurement requirements of the mining companies. An annual “reverse trade show” should be staged with mining companies exhibiting to profile the products and services they will require. This provides local businesses with important contacts in the purchasing departments of these companies and an opportunity to submit bids. GEDC and the Chambers could partner on such an initiative. This program would require only a modest investment in signage and marketing although recruiting the purchasing agents may require help from senior management.

#### **Continued Promotions of Greenstone/GEDC at Mining Sector Events**

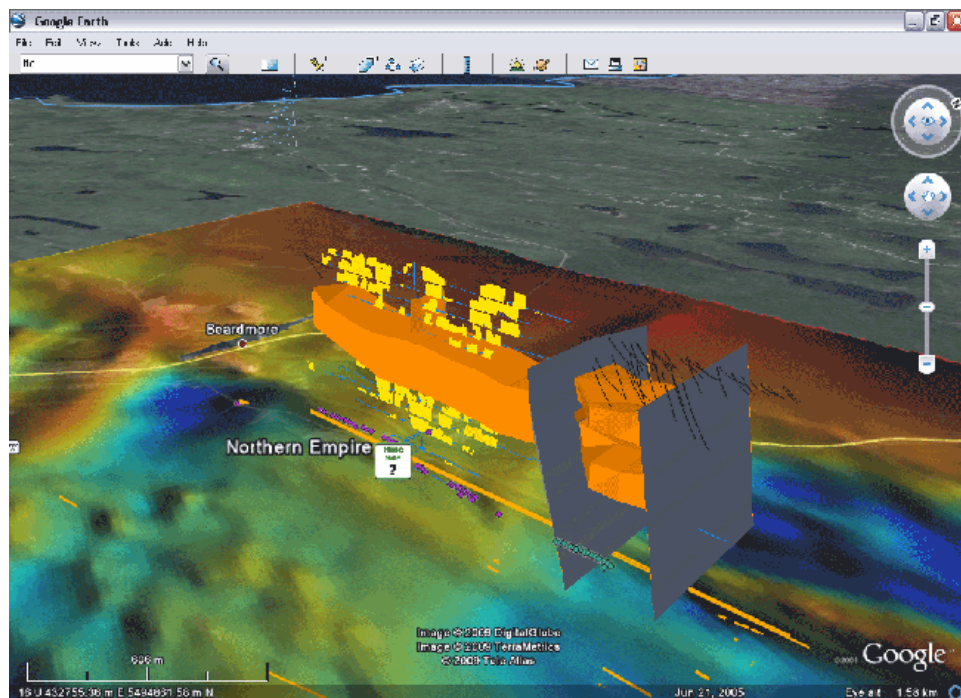
Greenstone will benefit from having a high profile at the significant trade shows and conferences in the mining sector. The community enjoys the advantage of having ore deposits under its feet but the real prize for Greenstone will come from Value-Added-Services and Mining Technology that is either developed within the community or attracted from outside.

Companies such as ActLabs are an example of the value added services which Greenstone can hope to attract if it has a profile within the industry of offering services of real value to companies. An example is the resource mapping developed by GEDC which is cited by Premier as a valuable service.

Greenstone also has the potential to attract mining engineers and other entrepreneurs with new technology that has been developed for hard rock mines. GEDC's contacts in the mining industry coupled with the Investment Fund combined and other funding sources such as the equity matchmaking offered by Northern Ontario Enterprise Gateway can be used to stimulate the attraction of new technology companies or the creation of locally developed technology in Greenstone which will hopefully export technology to other clients around the globe.

### **Web-Site Enhancements**

The GEDC web-site has already been used successfully to provide resources to the mining sector. The 3D Geological modeling that GEDC has begun making available on their web-site has been acknowledged by Premier Gold as a very useful resource. Continued investment in similar resources should be considered.



For example the GEDC might consider providing a Central Register for Mining Procurement in which mining companies and contractors post their requirements and invite bids from local service providers.

GEDC already has a complete inventory of Available Land/Buildings. This needs to be continually updated and maintained.

## **Second Prong – Entrepreneurial Focus**

### **The Importance of Small & Mid-Size Businesses**

It was only twenty five years ago that David Birch (Cognetics Inc. of Cambridge Mass.) first pointed out that most new jobs (82% in his groundbreaking 1979 study “*The Job Generation Process*”) were created by small businesses and not as previously thought by “Fortune 500 companies”. His report led to a fundamental change in our understanding of the job creation process.

His subsequent research (“*Hot Industries*” published in 1995) further refined our understanding of the job creation process by highlighted the fact that between 1990 and 1994, more than half of all new jobs created were created by fewer than 3% of companies – a group he called “gazelles” - most of which were small and mid-size manufacturing and service businesses serving local and regional markets.

*“Birch classified businesses in Wild Kingdom terms. The large, publicly traded firms that have shed millions of jobs over the past two decades are elephants. Small Main Street businesses that create jobs when they start up but then grow very little are mice. And fast-growing businesses that start small, then double in size and double again, are the gazelles. For the past 25 years, the most effective job creators have been the gazelles and the mice. And of those, the gazelles have been the most prolific: some 350,000 of these fast-growing companies have created as many jobs in the recent past as all the mice, which number in the millions.”*

*Source: “Small Business and Job Creation” - A Report from the Small Business Administration’s Office of Advocacy’s 25th Anniversary Symposium*

In summary, Birch contends that on average for every 100 new jobs created;

- 55 jobs will be created by the expansion of existing local businesses
- 44 jobs will be created by new start-up companies
- 1 new job will be created through a corporate relocation.

Therefore one of the most obvious priorities for any economic development program should be to identify those innovative local companies with the potential for rapid growth and support them - while remaining alert to new opportunities from outside the community.

Greenstone has been an interesting study in micro-economics because for a while, it lost all its “Basic” industries leaving no source of wealth or no base for a functioning local economy.

With the region’s “Basic” industries restored bringing back the wealth they generate to replenish the bucket, there will be increasing opportunities for small and mid businesses to grow and develop in the community.

### **Entrepreneurial Development in Mining Technology**

We have already commented on GEDC’s role in supporting the establishment of new local businesses through its “Business Advisory Services” and through its Investment Fund. It is expected that the demand for these services will increase as the employment at the mines increases.

“A rising tide raises all boats” however the real challenge for the GEDC will be to watch out for those few individual entrepreneurs who have developed a unique new product or service that with the proper support can go on to be one of the “Gazelles” that David Birch referred in his research.

There will be one or two entrepreneurial companies that will have the potential to produce the lion's share of local growth and development and the GEDC must stay attuned to identify that individual or individuals and ensure they receive all the support necessary to blossom into an export-oriented company to supplement the export of resource based products upon which the community relies.

*An example of a Gazelle company is Manroc Developments Inc. in Manitouwadge, Ontario. <http://www.manroc.com/>*

*Manroc Developments Inc. was purchased by Manitouwadge resident Don Simoneau in 1989 and has since developed into a leading international underground mining contractor, specializing in Alimak mining. They offer a comprehensive range of underground mining engineering and related services, servicing some of the largest mining companies in the world. They reportedly have approximately 185 people on their payroll with head offices and their engineering services located in Manitouwadge.*

*They developed a particular set of expertise in narrow vein and Alimak mining and have since become one of the top contractors in North America. Manroc is an acknowledged world-leader when it comes to the application of "Alimak LH narrow vein stope mining", having conducted successful operations at mine sites in Canada, Peru, United States and Africa.*

### **Enhanced Support for New Small Businesses**

The Location Quotient Analysis highlights the fact that most business and personal services in Greenstone are under-developed (low LQ's) due to the small size of the market. As economic activity begins to increase with more activity at the mines and the Ring of Fire, there will be new opportunities for the development of new small service businesses in finance, business services, legal and accounting services and obviously in the technical services required by the mine operations.

Part of the GEDC mandate should be to contribute to raising public awareness of the economic opportunities presented by these expected developments and promote and celebrate individual entrepreneurial efforts as a means to stimulating additional entrepreneurship.

The pioneer spirit already exists in Greenstone as we witnessed through our interviews with individual stakeholders in the community. It is GEDC's role to fan the flame and make sure that more and more people consider self-employment as a viable alternative to salaried employment in the mines or mills of the community.

## **Coordination of Economic Development Programs**

Economic Development involves the entire community, incorporating elected, appointed and volunteers if it is to be effective. That said, efforts must also be coordinated so that people and organizations aren't working at cross purposes.

The famed film director Francis Ford Coppola was once quoted as saying "*The secret to making a great movie is to make sure everyone on set is making the same movie*".

It is important that the GEDC and the Municipality, the two principal organizations charged with economic development in the region, coordinate their efforts with the Chamber of Commerce and other interested groups.

To ensure clear messaging to prospective investors and it is also vital that one group be designated to take the lead in responding to inquiries.

**Recommendation**

It is recommended that GEDC and the Municipality of Greenstone meet regularly to agree on roles and responsibilities in economic development programming, with particular attention paid to responding to inquiries from prospective investors.

## CONCLUSION

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The history of the Greenstone region has been a short rollercoaster ride.

The discovery of gold in the 1930's spawned a wave of development that petered out by the 1970's. But then the Forestry industry was in development and took over as the economic base of the region. Now in the 2000's the Forestry industry has collapsed and the Mining sector is set to resume its position as the economic base.

A roller coaster ride is not an easy one for workers and their families caught up on it, but there appears to be a bright light at the end of this tunnel. Both the Geraldton/Beardmore Gold Camp and the Ring of Fire are scheduled to begin production by 2015 and there is a lot of preparatory work needed to be ready.

We have laid out our recommendations covering what we believe to be essential gaps in Greenstone's infrastructure and hope that support will be available for the senior levels of government to make the necessary improvements so that Greenstone can benefit fully from the developments that are coming.

We support the strategic directions selected by the GEDC and hope our recommendations give you some ideas that can help carry you forward into a more prosperous future.