

Destiny Sault Ste. Marie
2008

PROGRESS REPORT





Prepared by

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Sault Ste. Marie no longer depends exclusively on the extraction and processing of natural resources being steel or paper; other economic activities now complement the local economic base and many others are contemplated and planned as part of the Destiny Sault Ste. Marie Program that targets diversification and invigoration of the local economy. This is not the general case in many northern communities where dependence on a narrow subset of economic activities remains entrenched and where community initiatives have not been initiated or adopted.

The Sault has had more foresight and initiative. The Destiny Sault Ste Marie Project was initiated in 2002, and the City Council approved the Project in 2003. Destiny's goal has been and remains to "develop, facilitate, implement, and manage a specific set of targeted growth and diversification initiatives and projects that will create employment to support a growing population base in Sault Ste. Marie and the Region".

Destiny's diversification effort documented in this Report is serious and extensive. It is, however, more likely to work if a correct choice of activities is made and if the community were to capitalize on its natural comparative advantage, foresight and the collective determination to unshackle its future from the bonds to natural resources. This is necessary but not sufficient, the community must also ensure that the new nexus of activities are diversified sufficiently, strategically chosen and do not constitute an exclusive cluster.

The diversification initiative is constrained by a number of specific encumbrances that need special attention and focus. Important differences between the age structure of the Sault's population and that of Ontario are critical as higher proportions of older people and lower proportions of younger people remain as defining characteristics of the City.

Residents in the Sault also appear to move less than the general population of Ontario and the resident population remains generally less educated than that of the province. Equally challenging are the facts that a greater proportion of Sault residents have no certificates or only trade certificates, the distribution of income in the Sault is heavily skewed towards the lower levels. The Sault's income flows are significantly dependent on non-employment income and the employment structure while it shows equal percentages in manufacturing it has lower shares in business services and finance.

Destiny is correctly focusing on competitive fundamentals and on increasing value added activities but more importantly its mark of success is embodied in its insistence on the involvement of all the residents of the Sault and on tapping into the collective wisdom of all.

It helps the Sault to recognize that successful communities are those that tap into the dynamism of urban centers and are able to develop a stronger presence in the new economy. Equally critical for success is the emphasis on renewable sources of income and the development of technological capabilities with the help of higher education institutions and the attraction and retention of a creative pool of talent.

In the final analysis nothing substitutes for the collective wisdom of the people of the City working together to chart a better future.

Atif Kubursi

Professor of Economics

McMaster University and Former Under Secretary General of the United Nations, a.i.

DIVERSIFICATION: “the act or practice of manufacturing a variety of products, investing in a variety of securities, selling a variety of merchandise, etc., so that a failure in or an economic slump affecting one of them will not be disastrous” (dictionary.com, September 2008).

It is not without its challenges - aligning economic diversification efforts, across economic development organizations in the Sault Ste. Marie region, towards one common strategic vision. The purpose - to transform the local economy and remove its reliance on one economic driver (i.e., becoming more than a one-industry town). This is the reason Destiny SSM was initiated and its success can only be measured through the commitment, leadership, knowledge, support and dedication of the people that support economic development in Sault Ste. Marie. It is with this leadership that contributions to the diversification of the local economy can be achieved. With coordinated efforts of all leaders, commitment to the diversification strategy and collaboration on program development, investment and implementation, economic wealth generation happens.

It is my pleasure to present the 2008 Economic Progress Report. It provides information and knowledge on the focus and leadership Sault Ste. Marie needs. This report presents an overview of this community, an outline of successful accomplishments and an illustration of the actions needed to build a stronger, more prosperous economic market in Sault Ste. Marie. This information provides the evidence for specific programs related to the promotion of economic development and diversification in Sault Ste. Marie. With economic drivers aligned to address barriers to development and capitalization of strengths, the community of Sault Ste. Marie can create a more prosperous environment that generates wealth and attracts more professionals, skilled labour and entrepreneurs, engaging more talent in economic diversification initiatives.

Diversification strategies must be future-focused and empower entrepreneurs, investors, organizations and communities to develop programs that generate jobs and wealth. It is with the facilitation of Destiny SSM that the strategic development of priorities exists and that key community champions are engaged to bring the strategy to fruition through program implementation. Destiny SSM provides a strategy that focuses contributions towards making Sault Ste. Marie's economy attractive and competitive, and can only be achieved through collaboration amongst partners including the private sector, other levels of government, academic and financial institutions, as well as research centres, to maximize investment and create alternative sources of funding for commercial ventures.

We commend the Destiny SSM volunteers who are dedicated to working together towards economic diversification. We also want to recognize, thank and applaud the local leaders, economists, project leads, staff and volunteers of all organizations and private sector companies that have worked with Destiny SSM, for their efforts, their passion for Sault Ste. Marie and their contributions to the economic prosperity that the community is experiencing.

Jody Rebek DiCerbo
Managing Director
Destiny Sault Ste. Marie

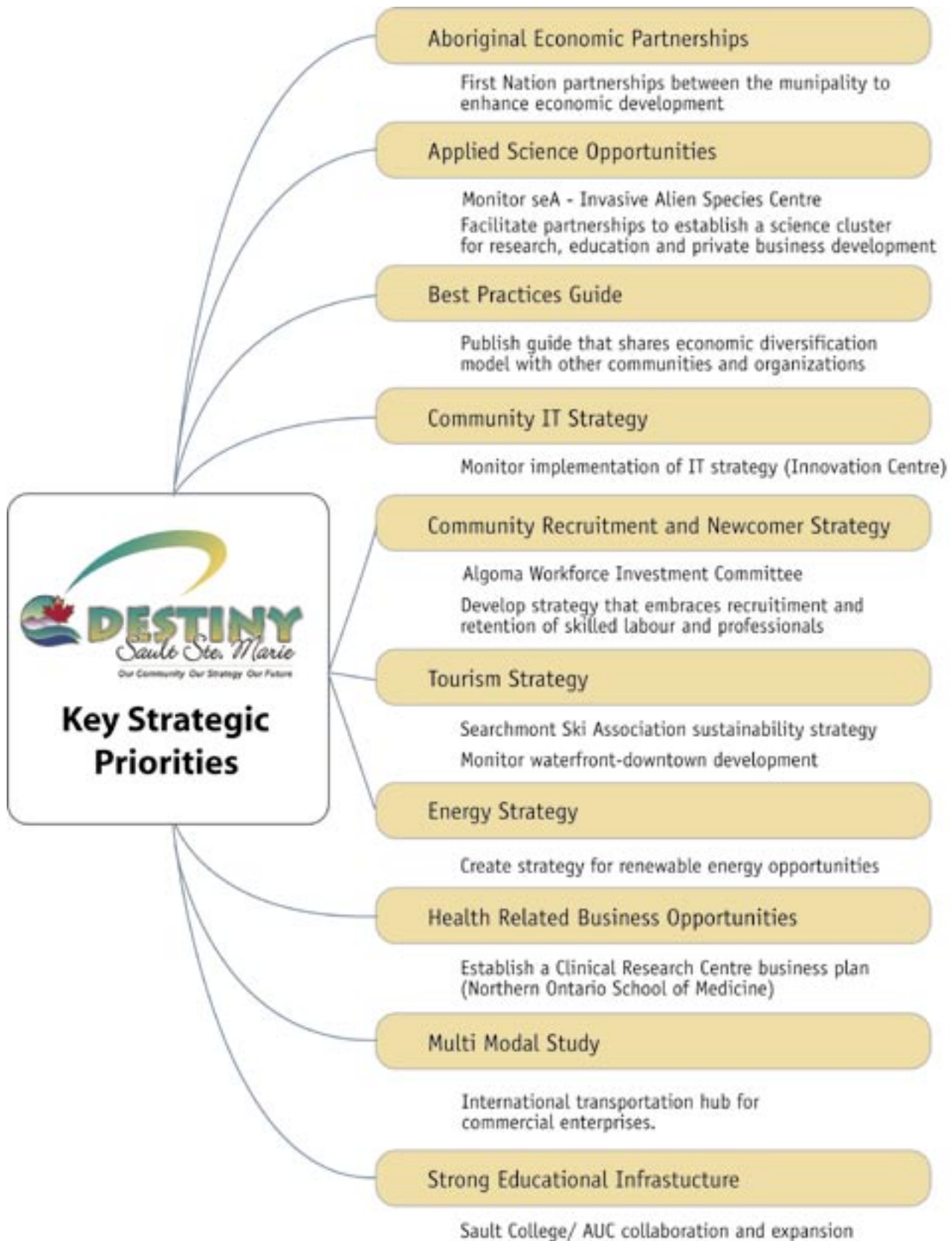


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EXECUTIVE SUMMARY

Background

In 2001, Sault Ste. Marie's most significant employer, Algoma Steel Inc., was experiencing financial difficulties. It became clear that the city needed to develop a healthy and diversified economy able to support the long-term quality of life for its citizens.

Rising to this challenge, community leaders organized to influence the city's future. In 2003, Destiny Sault Ste. Marie was founded. Its creation was made possible with funding from the Federal Development Initiative for Northern Ontario (FedNor) and support from the City of Sault Ste. Marie, Sault Ste. Marie Economic Development Corporation (EDC), Community Development Corporation of Sault Ste. Marie and Area (CDC), Sault Ste. Marie Chamber of Commerce, Human Resources Skills Development Canada (HRSDC), Northern Ontario Heritage Fund Corporation (NOHFC), and many organizations. Destiny became the community's economic diversification strategy.

Since 2003, Destiny has grown from a list of over 100 projects, with 31 key priorities, to a strategic framework for economic progress. In April 2004, the organization sponsored and facilitated an economic forum where it was recommended that Destiny reduce the number of initiatives that it focused on and be more strategic in the allocation of its resources. Destiny accepted this recommendation and, as a consequence, has been sponsoring annual planning sessions to evaluate goals and progress in order to focus its resources for the upcoming year.

Performance Indicators

Strong leadership entails periodic assessments of performance, an understanding of what's going right, what may need to be re-thought and what needs to be pared down, redirecting resources to more promising activities. This is the fifth in a series of annual progress reports focusing on Destiny's activities and the primary desired outcome – a healthy, diversified and vigorous community economy. In its inception, Destiny identified a set of long-term objectives to be used as measures, or benchmarks, of its effectiveness. These measures included recovering the City's population to 82,000 by 2012 and diversifying its economy. Destiny is halfway through its timeline for population growth. By 2006, Sault Ste. Marie stopped its 10-year population loss, which is a small success. However, the challenge is to recover to its 1991 population and to ensure that the recovery is sustainable. To meet this objective by 2012, the city must attract an average of 450 very good jobs – the sort of jobs that will attract families to Sault Ste. Marie – each year.

Growth Engines

The Destiny strategic process identified six growth engines that had the potential to reinvigorate the local economy in order to meet its targets, as specified in the measures of success.

During 2007, there was progress within each of the growth sectors. Viewed in terms of their contribution to the local economy that year, the Traditional and the New-Industry Development growth engine is making direct progress in supporting the existing economy through new ownership groups for the City's two core industries: steel and paper. Supported by various public agencies, the Innovation Centre has provided an environment that has nurtured the emergence of a number of competitive, small companies in the Knowledge-based Development growth engine. And the Health, Social and Public-Sector Development growth engine is proceeding with several large infrastructure investments, including the new arena – the Essar Centre – and the new hospital. The two remaining growth engines – Tourism Development and Trade and Export Development – have long gestation periods, and current efforts cannot be expected to have a return until partners are identified for major investments. The Small Business growth engine has not been mentioned as it was determined not to be a focus for Destiny SSM. The decision was made to concentrate on the five growth engines mentioned above, as small business growth occurs as a result of the large scale efforts in these growth engine sectors. The Chamber of Commerce representatives remain a voice for small business on the Destiny SSM Steering Committee and are considered in decision making.

Progress Report Summary

The evidence suggests that, when measured against the provincial levels, local economic diversity increased only slightly between 2001 and 2006.

There is a relationship between the growth engines, strengthening areas of comparative advantage and economic specialization – the basis of regional and international trade – and economic diversification. This relationship is not fully understood in the context of the Sault Ste. Marie economy.

To accurately assess the health of the City's economy, Destiny identified a set of 14 indicators of progress which are updated annually. The four labour force-related indicators reveal that in 2007, the labour force shrank, unemployment increased and the demand for labour, as reflected in the level of advertised vacancies, softened. Five indicators recorded positive changes over the year with construction values dramatically increasing. The three indicators focused on attracting tourists and cross-border commerce, they were bridge crossing, U.S. visits, and hotel occupancy. They were down significantly from the previous year. A number of factors contributed to this trend, including the appreciation of the Canadian dollar, the high price of gasoline, the deteriorating American economy and security procedures at the United States border.

Overview of Present/Future Economic Challenges

Economies are not static. They are in a constant state of flux, changing in response to external shocks. Due to the fluid nature of markets, organizations like Destiny must be capable of rapidly adjusting its resources as efficiently as possible. When economic conditions in the community change, so do the challenges faced by Destiny. When Destiny was established, the major problems it was faced with were

those of a weakened economy: high unemployment, population losses and lack of investment. In five short years, those trends have been reversed. The labour market is the strongest it has been in decades, people are returning to the city and investors have renewed faith in the community.

But there are storm clouds developing for the next year or two. The Canadian dollar has been increasing in value relative to its American counterpart. The most immediate implication threatening a possible economic downturn in Sault Ste. Marie, is that exports to the U.S. will be more expensive in American dollars. This will make Canadian exports less competitive in the U.S. market relative to its producers. Where American competition is constrained, substitute products will be sought to replace increasingly more expensive Canadian imports. Our higher currency will also undermine the competitiveness of services paid for in Canadian dollars that are marketed to customers south of the border. As well, this will make Canada a higher-cost tourist destination. Current forecasts are for the dollar to remain at levels approaching parity with the U.S. dollar for the foreseeable future.

However, this presents an opportunity for businesses to purchase American-sourced inputs – like materials and modern, more technically-efficient equipment – at lower prices when denominated in Canadian currency. The increased price of petroleum will also raise the cost of automobile tourist travel. There could, however, be an offset. Automobile travel may be more expensive, but Sault Ste. Marie may be a competitive destination if it can be marketed as an economical substitute for higher-cost destinations.

The principal challenge will emerge if the U.S. economy enters a recession, which many economists – as this report is being prepared – believe has happened. There are many reasons mentioned in the news media for the American downturn. The major issue will be how long their slowdown lasts and how deep it gets. It may mean that Destiny's strategic outcomes will be delayed, or it may need to be revised in response to rapidly-changing economic circumstances.

Conclusion*

From Destiny's inception, Sault Ste. Marie has helped the developments occur steadily and is now at a point where a real difference can be made. By focusing on the areas suggested, maintaining strong leadership, continuing to create opportunities collaboratively towards a unified direction and establishing greater capacity, the city can become diversified in a sustainable way.

* Author's note: Recommendations were not part of the terms of reference for this study. Had it been, I would have strongly recommended that the city develop a better understanding of the relationship between the growth engines (each of which may contribute to economic specialization or economic diversification); the industries that experienced growth and/or decline over the last five years, as documented by the LQ/Hartmann Index database; and linkages between the industries. Effectively, the city would be attempting to identify industry/product clusters that are in decline and others that are showing signs of growth. This can be done at the city level, but also – with more census data – at the Northern Ontario level of analysis. This would support the identification of possible strategic initiatives, which must pass the financial viability test at a pro forma level of financial analysis. Those, then, would be the industries to focus upon.

“ *You can’t manage what you don’t measure* ”

But remember ...

“ *What gets measured gets done,
But if we measure the wrong things,
The wrong things get done, and
The wrong things get done very well* ”

... a pair of sage management adages.

FOREWORD

This is the fifth annual progress report prepared for Destiny SSM. Destiny is “...the Sault Ste. Marie diversification strategy, it is a partnership involving all levels of government, and key community stakeholders, including the private sector.” It works to provide “an innovative, systematic process to develop strategies; co-ordinated partnerships; commitment to long-term strategy created through community input; and community leadership and focus.”

Destiny’s progress is examined from three perspectives. First, it is examined as a narrative of industrial and economic events through 2007. Events are discussed within the framework of the six economic engines identified by Destiny as drivers for growth and diversification. These events reflect the efforts of various combinations of community partners – individual private companies; federal, provincial and municipal government agencies; non- and not-for profit community groups; and citizens of Sault Ste. Marie. Secondly, progress is examined in terms of Destiny’s measures of success as originally identified by the community. This is the first progress report to have the benefit of the complete results of the first (2006) Canada Census of population undertaken since the founding of Destiny. The census is a unique and thorough database – it is not a sample – so results are available for less-populated areas in Canada. Using census data, we examine progress towards two goals: recovering to 1991 population levels and diversifying the local economic base. Thirdly, the indicators of progress, as identified and reported in the previous progress reports, are updated and any emerging trends have been noted.

INTRODUCTION

Destiny Sault Ste. Marie was created in response to the economic challenge facing Sault Ste. Marie at the turn of the new century. Destiny's goals are ambitious – to reverse the economic fortunes of a community that suffered from a decade of financial uncertainty and a loss of its population base. Destiny was designed to be an integral link for agencies charged with assisting the community to respond to this challenge. Its role was to facilitate and nurture the process to develop the strategic framework – or roadmap – towards a vibrant and dynamic community.

Facilitation and nurturing the process to develop a strategic framework does not mean Destiny Sault Ste. Marie creates the strategy. Establishing and implementing the strategy is the responsibility of the community, including its citizens, the federal, provincial and local governments, the private sector with direct responsibility to the city, and the partners who created Destiny. Facilitating and nurturing the process involves organizing opportunities for people to interact and provide input into a strategic framework. Giving participants the technical and administrative support, and conducting routine tasks required to document and incorporate feedback, is essential.

Destiny Sault Ste. Marie established measures of success that are long-term in nature:

- o restoration of the population to 82,000 by 2012,
- o ensure municipal and public resources are committed to economic diversification,
- o increase municipal tax revenues through an expanded tax base, and
- o create an environment in which the private sector drives economic development.

The success of reaching these objectives can only be measured in the long-term – perhaps a decade or two. However, census information from Statistics Canada is now available. In this report, three new metrics that attempt to provide an indication of Destiny's progress towards two of the long-term measures of success – namely meeting the initial population target and fostering a diversified economy – will be introduced. These are discussed in the “indicators of success” section of this report.

Destiny Sault Ste. Marie fine tunes its strategic course by conducting annual reviews of priorities for the upcoming year. These are examined and modified by the steering committee within the conceptual context of the growth engines. The growth engines are the primary drivers for long-term growth. Industrial and economic opportunities are identified every year. Some initiatives engage Destiny, others occur due to the independent efforts of additional public agencies involved with the economic progress of the city, while others are conceived and executed independently by the private sector. Events that take place during the year are identified and discussed under each of the growth engines.

Indicators of progress have been identified to provide tactical input into the annual review. These are more short-term in nature and are more amenable to annual measurement and responsive to issues as they arise. In effect, these indicators of

progress give early-warning signs regarding the need for course corrections, as they indicate how close Destiny is to meeting its goals. The indicators of progress are updated in this report.

BACKGROUND

A dynamic and sustainable economy is essential to supporting the community's quality of life. Quality of life is reflected through recreational, arts and health, social infrastructure, the involvement of its citizenry, and the pride of community members. Underscoring the city's quality of life is the health and vigour of its economy. A dynamic economy provides quality employment opportunities, along with incomes and wealth that support the tax base. This enables the community to move forward through its municipal government, private-sector endeavours and social organizations, which are supported by volunteers and contributions.

Destiny was created to complement the efforts being made in Sault Ste. Marie towards developing a healthy and diversified economy to support the long-term quality of life for its citizens. It was founded out of Algoma Steel's financial struggle in 2002. The company was the dominant industrial employer in Sault Ste. Marie, but had succumbed to the challenging international steel industry at the turn of the millennium. Economic uncertainty spread throughout the community. Algoma Steel directly employed a large share of Sault Ste. Marie's labour force. Local businesses were concerned about the future, the housing market slumped, and the City's youth left to find jobs elsewhere.

Rising to this challenge, community leaders organized. In 2003, with funding from the Federal Development Initiative for Northern Ontario (FedNor), and support from the City of Sault Ste. Marie, Sault Ste. Marie Economic Development Corporation (EDC), Community Development Corporation of Sault Ste. Marie and Area (CDC), Sault Ste. Marie Chamber of Commerce, Human Resources Skills Development Canada (HRSDC), Northern Ontario Heritage Fund Corporation (NOHFC), and many others, Destiny Sault Ste. Marie (Destiny), the community's economic diversification strategy, was established.

Economic diversification is a lengthy process that requires a major investment of time, knowledge, organization and money. For it to succeed, strong leadership is required to co-ordinate actions and focus resources on the most rewarding opportunities. For Sault Ste. Marie, Destiny provides this leadership. Since its inception, the efforts of the organization, in combination with public and private-sector partners, have laid the foundation for future economic diversification. The collaborative nature of these efforts underlies the importance of Destiny in forming dynamic partnerships that benefit all parties involved.

Destiny Sault Ste. Marie's goal is to "develop, facilitate, implement, and manage a specific set of targeted growth and diversification initiatives and projects that will create employment to support a growing population base in Sault Ste. Marie and the region". To achieve this goal, Destiny and its partners have been developing strategies that capitalize on short-term opportunities while maintaining their focus on the long-term stabilization and diversification of the economy.

With Destiny's help, the city has seen many positive changes since 2002. Unemployment is down, jobs have been created across several sectors of the economy and youths are beginning to return home. This economic recovery has not occurred without setbacks, though. There have been several bumps along the way. Nor has it occurred in a vacuum. The North American economy has been in the midst of a long-lasting growth period, but it has not been kind to the Canadian forest industry.

Strong leadership entails periodic assessments of performance, an understanding of what is going right, what may need to be re-thought and what needs to be pared down by redirecting resources. This is the fifth in a series of annual progress reports focusing on Destiny's activities during the year and the primary desired outcome: a healthier, growing and more diversified local economy.

A general overview of the evolution of Destiny in Sault Ste. Marie is presented in the next section as contextual background for the report. The analysis of progress made in each of the six growth engines will follow. An examination of the economic indicators will be provided, including two new indicators specifically designed to measure diversity. The final section offers concluding remarks.

EVOLUTION OF DESTINY SAULT STE. MARIE

Since 2002, Destiny has grown from a list of over 100 projects, with 31 key priorities, to a strategic framework for economic progress. In April 2004, the organization sponsored and facilitated an economic forum. The discussion panel consisted of 12 prominent representatives with a broad base of economic and community expertise from government, the private sector and academia. Forum attendees represented a cross-section of community economic development players. At the conference, it was recommended that Destiny reduce the number of initiatives that it focused on and be more strategic in the allocation of its resources. Destiny accepted this recommendation and, as a consequence, has held annual strategic planning sessions to evaluate goals and progress to focus its resources for the upcoming year. In June 2007, the steering committee identified ten strategic priorities. The selections were based on feasibility, economic impact and association with Sault Ste. Marie's natural strengths and existing assets. The priorities are:

- Multi-modal
- Clinical Research Centre
- Applied Science
- Small Business Development
- Searchmont Sustainability
- Community Recruitment and Immigration Strategy
- Renewable Energy Strategy
- Tourism Development
- Aboriginal Economic Partnership
- Best Practices Guide



The Multi-modal project attempts to capitalize on Sault Ste. Marie's strategic geographic location at the center of North America, on the Great Lakes and adjacent to the U.S. border. It aims to make the city a transportation hub for international shipping.

Northern Ontario School of Medicine Clinical Research Centre will be the nexus of community-based research knowledge, and its overall mission is to educate, facilitate and undertake health-related clinical research suited to community needs. In fulfilling this mission, the centre will become a cornerstone of clinical research in Northern Ontario.

Applied Science Opportunities builds on one of Sault Ste. Marie's institutional strengths, namely the cluster of key science facilities located within the community – the Great Lakes Forest Research Centre (GLFRC), Ontario Forest Research Institute (OFRI) and the Department of Fisheries and Oceans (DFO) are all based within the city. These institutions provided a cadre of highly-skilled, nationally and internationally-recognized expertise.

Small Business Development enhances the environment in the community to support a vibrant, creative and innovative small business culture. It will increase the effectiveness and efficiency of local entrepreneurs.

Searchmont Sustainability is undertaken to support the Searchmont Ski Association and ensure a sustainable operation that considers all-season opportunities.

Community Recruitment/Immigration Strategy will present a comprehensive strategy that embraces local and regional needs and addresses operational approaches to dealing with current and future needs affecting the local economy.

The Renewable Energy Strategy aims to capitalize on current and future energy-related opportunities in the community by developing business models that prioritizes, promotes and develops opportunities in both the private and the public sectors.

The Comprehensive Tourism Development Strategy compliments efforts by Tourism Sault Ste. Marie by focusing on infrastructure improvements and establishing collaborative business models for increased efficiency and success of tourist operators in the city.

Best Practices Guide will highlight the strategic model used to ensure economic diversification and growth for Sault Ste. Marie and will be shared with other communities to assist in the growth of Northern Ontario.

Destiny's focus on these key strategic priorities does not mean that other areas aren't deserving of attention. Rather, it prioritizes the greatest potential for future growth and diversification. Destiny categorized projects under six growth engines to identify the greatest opportunities and direct the economic diversification resources of the community. These growth engines are: Traditional and New Industry Development; Knowledge-based Development; Small Business Development; Health, Social and Public Sector Development; Tourism Development; and Trade

and Export Development. Each key strategic priority falls under at least one of the growth engines. In the balance of this section, Destiny's diversification efforts will be analyzed under the framework of the original growth engines.

MEASURING THE SUCCESS OF DESTINY SAULT STE. MARIE

A successful outcome for Destiny Sault Ste. Marie would be a healthy, diversified and vigorous community economy. In effect, this is the destination or vision. Many economic players would contribute to such a successful outcome with Destiny playing its part in success. In its inception, the organization identified a set of long-term objectives to be used as measures – or benchmarks – of its effectiveness. These measures were:

1. Restoring Sault Ste. Marie's population to at least its peak of approximately 82,000, which was reached by the mid-1980s. This will be accomplished by targeting 8,000 new jobs by 2012.
2. Ensuring sufficient tax revenues to continue to provide and care for municipal infrastructure and services. The objective is an additional \$2 million in annual tax revenues.
3. Ensuring that limited municipal and other public resources – including financial – are dedicated to initiatives that support the timely achievement of a stabilized and ultimately diversified local economy and workforce that supports population restoration and an increased tax base.
4. Creating an environment where the private sector becomes the lead and/or primary driver with respect to the financing of economic development initiatives.

Destiny has since focused more on strategic approaches to economic diversification rather than specific economic development initiatives. The organization concentrates on exploring opportunities with various specialists. Once opportunities are identified, Destiny facilitates the development of a strategy and/or a business case. Depending on the type of opportunity, it is then passed on to private or public-sector champions to lead its implementation. Investments in infrastructure and diversification are long-term projects whose success can only be evaluated over a period of years. The true test of Destiny will be to look back in one or two decades and examine how well Sault Ste. Marie handled fluctuations in business cycles.

To accurately assess the health of the local economy, Destiny identified a set of 14 indicators of progress. These assess the health of the economy in the short-term – usually on an annual basis – but, when appropriate, over a five-year census period. The indicators of progress complement the measures of success. They regularly take stock of the economic progress while the measures of success set out the direction and destination for the strategic process.

In the next section we will describe progress of the six growth engines that have been identified as the driving forces of Sault Ste. Marie's economic future. Next, with the results of the 2006 census, we will review the City's progress in relation to its destination as outlined by Destiny in 2003. Finally, we will update the indicators of progress and assess if the current economic engine is improving or in need of more maintenance.

THE PROGRESS OF THE ECONOMY OF SAULT STE. MARIE

The Destiny strategic process identified six growth engines that had the potential to reinvigorate the local economy to meet its targets, as specified in the measures of success. The purpose of this section is to review progress made during 2007 in each growth engines.

Destiny Sault Ste. Marie is not an implementation agent. Rather, it facilitates strategic and tactical planning. As such, many of the accomplishments and advances discussed in this section were actually delivered by other agencies of the municipal, provincial, federal governments or some partnership of these agencies. They are discussed here, in terms of progressing the strategic plan arising from Destiny, and in terms of reaching the target outcomes for the community of Sault Ste. Marie.

Growth Engine #1 – Traditional and New Industry Development

There were a number of major advancements in the Traditional and New Industry Development growth engine in 2007, including major developments at two of Sault Ste. Marie's core industries. Algoma Steel Inc. was purchased by Essar Steel Holdings of India in June 2008. Essar is expected to invest \$500 million in upgrades and expansion, bringing annual production to four-million tons per year.

St. Marys Paper Corp. reopened under a new ownership group at the end of June, returning to full production in August 2007. All three paper machines and 309 of the previous 340 employees had returned by August.

Tenaris AlgomaTubes produces seamless steel casing, which is mostly used in the oil and gas drilling industry. Tenaris began the year with 664 employees, laying off 145 in the spring. Weakness in the industry, combined with dumping by offshore producers, led to lower production. Towards the end of the year, Canada Border Service Agency ruled that the offshore companies were dumping on the Canadian market and anti-dumping duties, ranging from 15 per cent to 78 per cent, were imposed.

POD Generating Group is building two, 10 megawatt solar farms in Sault Ste. Marie. Plans for the project call for a total of six phases that would contribute 60 megawatts, representing a potential investment of \$360 million. Forty-five construction jobs will be created, and another three to five would be needed for on-going operations and maintenance.



Pollard Banknote Ltd. signed a 10-year contract with the Ontario Lottery and Gaming Corporation to print instant lottery tickets in its plant in Sault Ste. Marie. The deal is worth \$150 million and began operation in 2008 with 40 employees – 60 once in full production.

Enquest Energy commenced its pilot waste-energy conversion project. The company is developing its patented waste-to-energy gasification system at the city's landfill. Von Stach Products of Sault Ste Marie, Ont. announced that its HeatFlexx heated frameless windshield wipers have been selected as standard equipment on the Natalia SLS 2 sport luxury sedan, one of the world's most expensive production automobile.

Growth Engine #2 - Tourism Development



Algoma Central Railway obtained \$10 million from the Canadian National Railway and NOHFC to re-furbish passenger cars for its Agawa Canyon Tour Train. Visitation fell by 6.1 per cent year-over-year to 35,997. This is well below previous levels approaching 80,000.

Visits to Searchmont Ski Resort increased by 20.5 per cent over the previous ski season. Total visitations increased by 7,731, reaching 45,523. A small operating profit was recorded in the 2007-08 ski season. The resort is well positioned to continue operations in the immediate future.

Visitations to two of Sault Ste Marie's major tourist attractions declined from the previous year. The Canadian Bushplane Heritage Centre had a drop of 5.5 per cent, and Lock Tours Canada was down 9.7 per cent.

The Borealis project, planned as a major tourist attraction at the Gateway site on the St. Mary's River, did not go forward. The City is working with developers to identify other opportunities for the site.

Growth Engine #3 - Small Business Development



Small business development was one of Destiny Sault Ste. Marie's original growth engines. Destiny has since changed its focus to larger businesses, reducing overlap with other agencies. In its strategic role, the organization does not undertake initiatives to solely improve the prospects of small businesses in the community. However, many of the strategies developed by Destiny and its partners have a positive effect on small businesses in Sault Ste. Marie. As a matter of consistency with previous reports, we have included a chart below that compares the proportion of small businesses in the city to that of Ontario and Canada.

	Canada 2007	Ontario 2007	SSM 2007	SSM 2006
Number of firms	1 086 487	365 417	2 871	2 949
Number of firms with less than	1 027 698	341 665	2 732	2 813
Percentage of firms with less than 50 workers	94.59	93.5	95.2	95.4
Total employment	14 267 4000	5 427 000	44 877	44 316
Employment by firms with less than 50 employees	4 499 582	1 541 989	16 041	16 270
Percentage of total employment in firms with less than 50 employees	31.5	28.4	35.7	36.7

The chart shows that Sault Ste. Marie has a slightly higher percentage of small businesses than Canada and Ontario. This was not unexpected, since the city is somewhat isolated and is an unlikely location for most large firms to set up operations – unless there are clear industry-specific competitive advantages to build upon. Based on the fact that Sault Ste. Marie has a higher percentage of small firms, it is not surprising that it also has a slightly higher percentage of employees working for small businesses than Ontario and Canada. This contributes to the volatility of the local economy as small businesses have less access to capital than larger employers in difficult times and may be forced to scale back operations.

This past year, one of Destiny's partners, the Community Development Corporation of Sault Ste. Marie and Area, undertook the development of a small business portal. The portal is specific to the local economy and provides continuity to the various small business assistance programs currently delivered by local organizations. The small business portal is a valuable tool for entrepreneurs providing "one stop shopping" for all of their business development needs. The portal should produce efficiency gains by streamlining the small business assistance program that had been in place. It is expected to be launched to the public in October 2008.

Destiny facilitated a Small Business Development Agency Memorandum of Understanding. It was created with the EDC, CDC, SSMIC, seA and the Chamber of Commerce to update the First Steps MOU to streamline assistance to business start-ups and growth projects in the city.

Destiny and its partners worked to form an agreement with Industry Canada to continue the Industrial Research Assistance Program (IRAP) in the local area and disseminate funding to assist small businesses in science and technology.

Small businesses make up a large proportion of Sault Ste. Marie's economy. Thus, it is important to give them the support they need to prosper.

Growth Engine #4 - Knowledge Based Development



Within the Sault Ste. Marie area, including the Michigan Sault, there are three post-secondary institutions, a number of federal and provincial government science facilities, and private knowledge-based companies. According to science enterprise Algoma, approximately 500 science-based employees are part of the local economy.

Sault Ste. Marie's Innovation Centre continues to expand and to enhance its reputation in the information technology and the knowledge-based sector. The centre was awarded the Urban and Regional Information Systems Association's Best Municipal GIS in Ontario Award. It also received ESRI Canada's Best Municipal GIS and Leadership in the field of GIS Award. The Innovation Centre's Community Geomatics Centre received a Special Achievement in GIS Award - International Category for GIS in Human Services at ESRI Inc.'s International User Conference.

With Algoma University College (AUC) – now Algoma University, an independent institution – the centre has been able to expand on its capacity with the filling of three senior positions: a strategic advisor in game development, a health informatics development officer and a GIS business manager.

Destiny established and facilitated a committee of affected organizations, institutions and stakeholders to address community training and recruitment needs. With funding from the Ontario Ministry of Training, Colleges and Universities, the Algoma Workforce Investment Committee (AWIC) was formed. This committee commissioned an Algoma Workforce Trends, Opportunities and Priorities Report. Current efforts are directed towards the establishment of a board to address training requirements and needs that will help support our growing economy.

A project manager was contracted to investigate and establish collaborative ventures between AUC and Sault College to ensure the sustainability and growth of both institutions. The following are some initiatives that have been undertaken to achieve this objective:

- Identified student profiles using first-year applications and acceptances, by gender age and area of study, and set comparators with other similar institutions in Canada
- Researched potential joint marketing of e-learning and long distance delivery of post-secondary programs and recommended a joint marketing group specializing in this area, potential programs and identified issues to be resolved
- Liaised with the Campus Unity Group and the Diversity Committee and provided linkages with each other, community groups and potential funding sources
- Developed a critical path for the approval process of courses and programs at each institution and identified timelines
- Researched and wrote a briefing paper on successful implementation of shared services in the public sector

Growth Engine #5 - Health, Social and Public Sector Development

A strong public sector is a key ingredient in a strong, economically-viable community. Aside from being a large employer, the public sector is responsible for the provision of many services that private-sector industries and citizens rely on to function on a daily basis. Public-sector responsibilities range from the provision of services – such as schools and hospital, which increase human capital in the community – to infrastructure projects, like highways and sewer systems, which increase the productive capacity of industry.



Some of the most exciting public-sector projects taking place in Sault Ste. Marie in 2007 were:

- The construction of a \$5.6 million OPP forensic building and a \$7.8 million young offender's facility. The two projects were expected to create 200 construction jobs in total and were completed in 2008.
- The Algoma District School Board has committed \$44.8 million to build two new schools in Sault Ste. Marie. Construction of the new high school and elementary school is expected to begin in 2008.
- Aug. 23, 2007 was the official groundbreaking for the new Sault Area Hospital. At a cost of \$250 million, the new facility will be the largest construction project ever undertaken in Sault Ste. Marie. Expected to be completed in 2010, the new hospital will have a major impact on the local economy with 200 to 250 construction workers on site daily. It is also hoped that once the new building is in operation, it will help draw physicians to the city.
- The NOHRC provided \$437,750 to the Sault Ste. Marie Airport Development Corporation to upgrade a vacant hangar. Once renovations are complete, J.D. Arrow is expected to establish a local branch of its aircraft refurbishing and repair centre in the facility.
- Both Algoma University (AU) and Sault Area Hospitals have been actively recruiting people to the community. In 2007, AU was successful in hiring 12 new professors to deal with pending retirements. The local physician recruitment team was able to convince eight new doctors to settle in Sault Ste. Marie in 2007.

Destiny and its partners have been involved in several projects that fall under the Health, Social and Public Sector Development growth engine.

In 2005, Sault Ste. Marie City Council requested Destiny to facilitate a process whereby the local medical community and other relevant stakeholders explored health-related business opportunities in the city. As a result, a vision of a clinical research centre emerged. The NOSM Clinical Research Centre will be a high-grade institute devoted to educating, facilitating, and undertaking health-related clinical research committed to community needs in Northern Ontario. Algoma University

has recently taken the lead on the clinical research centre and will be working with NOSM to establish it.

Destiny Sault Ste. Marie's Community Recruitment and Immigration Strategy also falls under this growth engine. The strategy was developed by Destiny, and its partners, to deal with the skilled labour shortage currently experienced by certain sectors of the economy. This situation will be exacerbated in the near future as baby boomers reach retirement age. The strategy focuses on Immigration, Retention and Attraction. A committee was made up of government, community and employer stakeholders to ensure that each area receives ample support. Destiny and its partners are currently in the process of hiring a Community Recruitment and Newcomer Co-ordinator to implement the strategy.

Growth Engine #6 - Trade and Export Development



In 2007, Development Sault Ste. Marie (SSM), a division of the EDC, unveiled its International Relations and Global Logistics Strategy. As part of this strategy, Development SSM participated in an outbound trade mission to China as well as an inbound trade mission from Portugal.

The China mission consisted of a six-city tour. Delegates from Sault Ste. Marie represented a wide-range of interests, encompassing both the private and public sectors. Delegates were able to meet with high-level government officials and key industry contacts in each city.

A delegation from Portugal was taken on a tour of the city's industrial, commercial and tourist sites.

Other international activities were pursued as well. The Department of Foreign Affairs provided an information session to the Chamber of Commerce on how to effectively access information from the Trade Commissioner Service. Also, there were a number of embassy visits to Sault Ste. Marie. Representatives from Ireland came. As did a mission from Finland, in preparation for Finn Fest 2010, and a Russian delegation, which investigated air cargo opportunities. The possibility of trade missions to India was also investigated. The Canadian consulate in Detroit had discussions regarding a possible sister-city arrangement as well.

INDICATORS OF SUCCESS

Earlier in this report we mentioned the set of long-term outcomes and the measures of success that the framers of the Destiny's strategy urged to be used to evaluate the effectiveness of the organization. In the last year the complete results of the 2006 census was made available by Statistics Canada.

The census is a unique database, which allows us to use a more direct measure of success than is possible with the indicators of progress. The census is a core constitutional responsibility of the federal government under Section 8 of the Constitution Act of 1867 – formerly the British North America Act – and has been

regularly collected since 1871. Although it has evolved over the years, reflecting the changing needs of Canadians in response to socio-economic developments, care is taken to conduct the census to the highest professional standards. It is comprehensive – it is a census, not a sample, and it is robust. It can be customized into unique geographies and aggregations to address very specific issues. It is comparable over time, from one census to the next. It is also the most comprehensive database for small areas, and as such, it is widely used by private-sector market analysis and polling companies. Unfortunately, it is expensive to access its full database on a small-area basis.

Final results of the 2006 census were released in May 2008. Its complete release provided Destiny with the opportunity to develop measures of the progress that it's making toward goals that require a richer-than-normal set of supporting data. The census is collected every five years using similar questions, making it possible to compare changes over time without the problems introduced when questions are changed in subtle, yet important ways. The next census will take place in 2011.

Using the census data, we can take readings on at least two of the measures of success – namely restoring Sault Ste. Marie's population to at least its peak of 82,000 by 2012 and to achieve a diversified local economy.

Population 82,000 +

The 2006 census found that the population of Sault Ste Marie was 74,948. This was a slight increase from the 2001 census of 74,566 but considerably down from the 1996 that documented 80,054 residents.

Given the original target of 82,000 by 2012, the findings of the 2006 census implied that the city would need to increase its population by an average of 1,175 per year, hitting a target population of 80,825 on the 2011 Census of Canada. The target would be reached the following year. The average annual population growth rate would be 1.37 per cent.

The question for Destiny is how many new jobs – the quality of jobs that attract families to move to Sault Ste. Marie – would be needed to be created to attract 1,175 people to the city every year?

We know from the 2006 census that on average, for the province as a whole, there are 2.6 people per household. As such, 1,175 people translate into 452 households. We also know that there is, on average, 1.42 experienced members of the labour force per household. We will take this to mean 1.42 jobs per household.

The implication is that, in order to meet the success measure of 82,000 residents by 2012, Sault Ste. Marie would need to attract, on net, 452 households per year from outside the city.

A typical Ontario household holds an average of 1.42 jobs, implying that the target for the Sault Ste. Marie is 642 new jobs per year, net. At the very least, the first 452 positions would need to be the sort of job – in terms of money, professional

development, etc. – that households would be prepared to move to the Sault Ste. Marie for. The remainder would need to be reasonably comparable to the ‘other’ household job, including part-time, seasonal and home-based employment.

Discussion of the plan, through which migrants are attracted to the city, is clearly beyond the terms of this report. However, it is noted that the source of new migrants is varied – they can be former Sault Ste. Marie residents who are attracted back to the city, they can be residents of Northern Ontario who want to stay in the north or they can be attracted from elsewhere in the province, country or world.

Diversification

The Hartman Index is a commonly used indicator of diversity. It is constructed from the location quotient, another commonly used indicator of economic structure. In this case, though, it is an indicator of specialization. These are indicators of relative diversity and relative specialization. There is no independent metric for these concepts, but we can measure whether the local economy has specialized in certain sectors relative to a reference economy, or whether it is relatively diversified, once again, in comparison to the reference economy.

For this report, the local economy is that of Sault Ste. Marie. * We do have choices in what the reference economy should be. It can be the national, provincial or a customized regional economy. The latter is interesting in that it can be Northeastern Ontario or a set of similarly-sized communities in the province or the boreal region of Canada. For cost reasons, we will use the Ontario economy as the reference economy, but a more specific Northern economy could be more useful.

The first step to construct the Hartman Index is to calculate the location quotient for the local economy. This is simply the ratio of a specific industry’s share of the local labour force to the same industry’s share of the reference economy’s labour force. If they are the same, then the ratio will be equal to one. If the industry accounts for a larger share of the local labour force than at the provincial level, then the ratio will be greater than one. Similarly, if the industry accounts for a lesser share of the local employed labour force than at the provincial level, the ratio will be less than one. A simple example will illustrate these relationships.

In 2006, the total experienced labour force, aged 15 and over, was 36,420 in Sault Ste. Marie. There were 4,665 persons – or 12.8 per cent of the employed labour force – working in the health care and social services industry. At the provincial level, only 9.4 per cent of the labour force worked in this field. Thus, the location quotient for the health care industry in Sault Ste Marie is;

$$\text{LQ health care and social services} = 12.8 \text{ per cent} \div 9.4 \text{ per cent} = 1.36$$

It means that the health care and social services industry is 1.36 times more important to the economy of Sault Ste. Marie than it is to the province as a whole.

* Defined as the Sault Ste. Marie Census Agglomeration Unit.

Statistics Canada, along with its sister agencies in the United States and Mexico, use the North American Industrial Classification System (NAICS) to categorize economic activity. The economy is classified into 20 sectors, which are divided into 102 sub-sectors. Sub-sectors are divided into industry groups, industry groups into industries and finally, allowance is made for county-specific industries at the discretion of each country. The location quotient is specific to the industrial level that is used for its calculation. In the above example, health care and social services is one of the twenty sectors that the entire economy is divided into. Within this sector, there are five sub-sectors. The location quotient for one of these sub-sectors – social assistance – is 1.24, meaning employment in this category is 24 per cent above the provincial per capita norm for a community the size of Sault Ste. Marie. The social assistance sub-sector is itself divided into four industry groups. The location quotient for child care services, one of the four industry groups within the social assistance sub-sector, is 0.94, meaning employment in this industry is six per cent below the provincial per capita average.

The value of the location quotient for any specific industry will depend on how finely one can define the industry within the NAICS framework. This is important for the calculation of the value of the Hartman Diversity Index. There is less margin for variation if the economy is defined at the sector level, simply because modern industrial economies are heavily weighted to consumer services. Variation, including local areas of specialization and the overall balance within the economy are more visible at the industry groups and finer industry structures.

Also in 2006, 1,625 workers were employed in Sault Ste. Marie's construction industry. This represented 4.5 per cent of the local labour force. Construction workers were 5.9 per cent of the provincial labour force. This means that the location quotient for the city's construction industry was 0.76 – or 76 per cent.

The construction sector is divided into three sub-sectors and further classified into 10 industry groups. Residential building construction is one of the larger industry groups within the sub-sector. Its location quotient is 0.75. The highway, bridge and street construction industry group employs around half as much as residential construction but has a location quotient of 2.39. Location quotients at the industry-group level are detailed in Appendix 2.

There are many reasons why the location quotient for an industry in Sault Ste. Marie is greater or less than the provincial average. Demographic factors of the local population may be important, or the city may have certain competitive advantages in terms of skills, history or access to raw materials and/or markets. The location quotient simply summarizes the relative state of individual industries and focuses attention on those demonstrating a clear competitive advantage and those which have not.

The Hartman Index of economic diversity builds on the location quotients for industries in the local economy. Economic diversity is the opposite of economic specialization. Economic diversification is spreading economic activities amongst a wide-range of industries so that no one sector could undermine the local economy. Specialization means that economic resources are focused on sectors in which

the local market has a competitive advantage. Not surprisingly then, diversity is measured as the opposite of specialization. The Hartman Index is calculated as the inverse of the weighted average location quotient for the local economy. Economic diversity is measured relative to the reference economy. If the index equals one, then the local economy is as diverse as the reference economy. If it is less than one, the local economy is not as diverse as the reference economy. Once again, the reference economy can be the national, provincial or customized. It is important for the analyst to identify the attributes of a diversified economy and use such an economy it as the reference for calculating the Hartman Index.

For this exercise with limited resources, we will accept the provincial economy as an appropriate example of a diversified economy and measure the local economy relative to it. As discussed above, the value of the location quotient for an individual industry will depend how finely we slice the economy into sectors, sub-sectors and industry groups. Since the value of the Hartmann Index is directly related to the value of the measured location quotients, the index will depend on the level of industrial fine tuning. The following table reports the Hartmann Index for 2001 and 2006 as measured for economic sectors, sub-sectors, and industrial groups.

	2001	2006	Compared to the provincial economy...
Sector	0.906	0.886	Became slightly less diversified
Sub-sector	0.420	0.432	Slightly more diversified
Industry group	0.256	0.295	Slightly more diversified

There was very little movement in the diversity index over the five-year period. The above table demonstrates how the Hartmann Index reflects the level of detail that we measure in the structure of the economy. Nevertheless, it does indicate that between 2001 and 2006 the economy of Sault Ste. Marie edged towards a greater level of diversity.

The index can also be applied to the occupational distribution within Sault Ste. Marie. Each industry draws on a range of skill sets and occupational groups to be successful. Any business undertaking requires people with management, trade and administrative skills, along with expertise in finance or the sciences. The skill sets available within the community can limit or reinforce the community's economic and social resilience. As such, diversity of skills, as applied through experience and occupations, is an important element of being able to take advantage of economic diversification.

As with the measure of economic distribution calculated above, the Hartmann Index, applied towards skill sets, depends on the detail of the classification system being measured. For purposes of this exercise, only the Statistics Canada information freely available on its website was used. Here, we are using occupations as indicators of skills that are available in the community to support new initiatives. Please note that a more detailed accounting could be obtained from Statistics Canada for a price.

Statistics Canada lists 10 occupational groups on their website. They are:

- Management occupations
- Business; finance and administration occupations
- Natural and applied sciences and related occupations
- Health occupations
- Social science; education; government service and religion
- Art; culture; recreation and sport
- Sales and service occupations
- Trades; transport and equipment operators and related occupations
- Occupations unique to primary industry
- Occupations unique to processing; manufacturing and utilities

The Hartman Index is calculated in exactly the same way for occupational diversity as for economic diversity. Comparing 2006 to 2001, we find that the index moved from 0.93 to 0.95. This indicates that the occupational skill set, at least when divided into these 10 occupations, is similar in diversity as the provincial economy in each year. It also shows that, if anything, there was a slight movement towards greater occupational diversity between the two census years.

Measuring changes in the level of economic diversification in the future may benefit if the objective were articulated at the sub-sector or industry-group levels. This would recognize that comparative advantage and some degree of economic specialization is an integral characteristic of modern economies, and that it is possible to diversify around industries that support the competitive elements of the economy. It would also incorporate an important aspect of industrial-cluster growth. In other words, one growing lead industry can provide a market for other local industries that provide inputs.

Indicators of Success: Conclusions

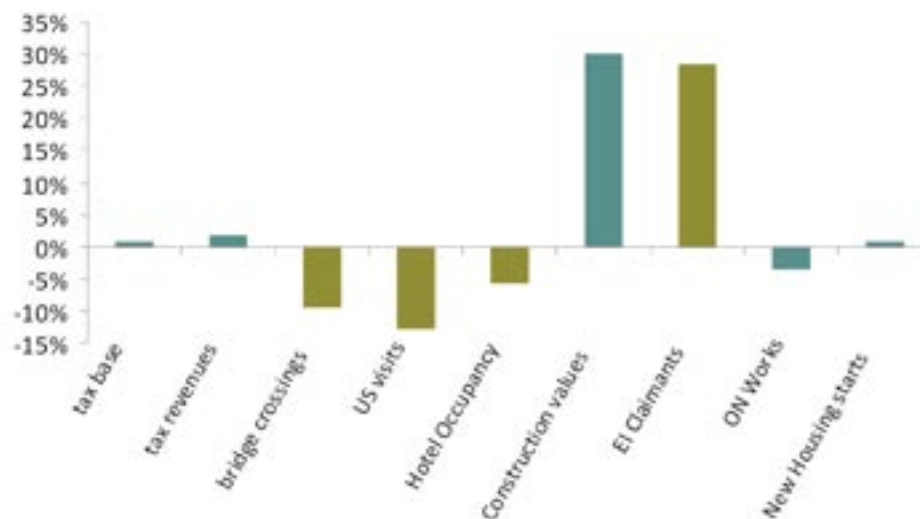
Destiny is halfway through its timeline to reach one of its indicators of success: having the population of Sault Ste. Marie recover to its 1991 level of 82,000. By 2006, the city had stopped its 10-year population loss. That is a small success. But the challenge is to recover to its 1991 level and to ensure that the recovery is sustainable. To meet this challenge by 2012, it is necessary for the city to attract an average of 450 very good jobs each year. The evidence suggests that economic diversity did increase slightly between 2001 and 2006.

There is a relation between the growth engines, the measures of economic specialization (the location quotient) and the measure of diversification (the Hartmann Index) that deserves greater understanding by Destiny and proponents for development strategies for Sault Ste. Marie. A concordance between the Destiny growth engines and the NAICS would facilitate independent measurement of the contribution of growth engines to the expansion of the local economy over the last five years, as well as measure the movement towards a more diversified economy in general, or within specific clusters or growth engines.

INDICATORS OF PROGRESS

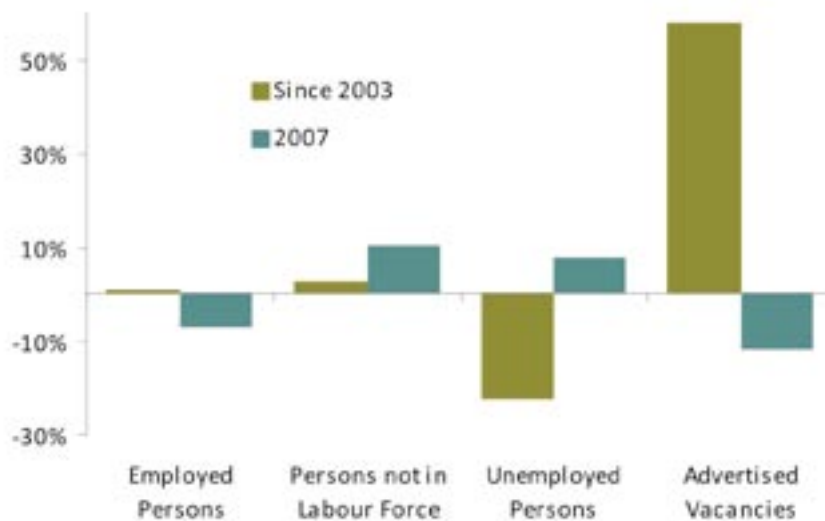
Previous progress reports have identified between 11 and 15 indicators of community economic progress. Economic indicators provide a check on the course of the local economy over the last year. The decision was made with the first progress report that the indicators should measure how the community's economy changes over time as opposed to measuring variation against other selected communities. This approach was continued for this report.

Each of the 14 economic indicators are presented in the appendix to this report. The summary of the findings is presented in this section. Population change is presented as the first economic indicator. It relates directly to the population measure of success. Housing starts, the next indicator discussed, demonstrated the degree of confidence in the future of a city by both families prepared to invest in a new home and by the financial community willing to undertake risk in the area. The next six indicators all describe the health and vigor of the labour market. They focus on the capacity, demand and utilization of labour. The next four indicators are intended to describe the direction of certain industry indicators, including construction, hotel occupancy, and commercial and non-commercial traffic. The final two indicators, the municipal tax base and tax revenues, provide a measure of the financial capacity of the city. Findings are summarized in the following two charts.



Five of the nine indicators displayed in the first chart recorded positive changes over the year and are coded blue. Construction values were so good that they were off the chart. However, the three indicators focused on attracting tourists and cross-border commerce – bridge crossing, U.S. visits and hotel occupancy – all declined significantly from the previous year.

The next chart illustrates the progress of the four factors related to the creation of a vibrant employment base, a necessary factor for a growing population. Performance during the last year is shown by the blue column and from 2003 to 2007 by the red bar.



By these measures, 2007 was not a good year. Compared to 2006, the number of employed persons was down, the number of people not in the labour force increased and the unemployment rate increased. The higher number of people not in the labour force could occur for various reasons, but it is suggestive of a discouraged worker effect. That is, if a worker looks for a job but cannot find one, he or she becomes discouraged and simply withdraws from the labour force. When surveyed, they state that they are no longer actively looking for employment, which means that they are no longer counted as part of the active labour force. This interpretation is supported by the decline in advertised job vacancies between 2007 and 2006, suggesting that the number of available openings was declining.

These softening labour-force indicators do not augur well for restoring the population to 82,000 by 2012. A vigorous employment environment, one that can attract new families with new skills to support a more diverse economic base, is needed to rebuild the population base. The indicators that did see an improvement in 2007 – the tax base, tax revenues and a modest increase in new housing starts – were not in areas that would dramatically enhance the city's chances of attaining the measures of success that was established for Destiny. (Note: increased construction values were, indeed, very dramatic, but they were driven by the public sector, and it is not immediately obvious that these investments will support a significant increased population base. Also, a growing tax base does enhance the municipality's fiscal capacity, but tax revenues are more related to political decisions about balancing tax loads than the success of growth).

Despite the disappointing performance in 2007, Sault Ste. Marie has made progress since 2003. The number of employed persons increased while the number of unemployed decreased. The number of people not in the labour force also increased modestly. Such a small increase can be accounted for by normal demographic factors. Also, the number of advertised job vacancies in 2007, as compared to 2003, grew substantially. Overall, it suggests that the labour situation in the community improved between 2003 and 2006 but started to draw back in 2007. Given the developing economic challenges in the American market, this reversal may be an early warning sign of impending challenges for the local economy.

OVERALL PROGRESS OF THE ECONOMY OF SAULT STE. MARIE

The performance of the economy of Sault Ste. Marie in 2007 – and, in some cases, since 2003, when Destiny was founded and its goals established – has been reviewed in this report. It is also recognized that there is a time lag associated with the benefits of many of Destiny's initiatives. This is due not only to the multiplier effect, but also to the long-term benefits of economic diversification. Economic development does not occur overnight, and many benefits will only be fully realized over an extended period of time. Investments in infrastructure and diversification are long-term projects, and success can only be evaluated over a period of several years. The true test of Destiny will be to look back in 10 to 20 years and examine how well Sault Ste. Marie's economy handled fluctuations in the business cycle.

During 2007, there was progress within each of the growth engine sectors. Viewed in terms of their contribution to the local economy in 2007, the traditional and the new industry development growth engine provide direct progress in supporting the existing economy. Supported by various public agencies, the Innovation Centre has provided an environment nurturing the emergence of a number of competitive, small knowledge-based companies. And the health, social and public sector growth engine is proceeding with a number of large infrastructural investments, including the new arena and the hospital. The two remaining growth engines – tourism development and trade and export development – have long gestation periods, and current efforts cannot be expected to have a return until partners are identified for major investments.

MOVING FORWARD

Since its inception in 2003, Destiny has grown from a wish list of over 100 projects and initiatives to a diversification strategy focused on a set of key strategic priorities. The priority areas are under constant re-evaluation. Just because a certain sector is not given priority status now, does not preclude it from becoming a priority in the future. This dynamism has enabled Destiny to drive economic diversification in Sault Ste. Marie.

Economies are not static; they are in a constant state of flux, changing in response to external shocks. Due to the fluid nature of markets, organizations such as Destiny must be capable of rapidly adjusting its resources as efficiently as possible. As economic conditions in the community change, so do the challenges faced by Destiny. When the organization was established, the major problems it was faced with were those of a weakened economy: high unemployment, population losses and lack of investment. In five short years those trends have been reversed. The labour market is the strongest it has been in decades. People are returning to Sault Ste. Marie, and investors have renewed faith in the community.

However, there are storm clouds developing for the next year or two. The Canadian dollar has been increasing in value relative to the American greenback. The most immediate implication for the local economy is that Sault Ste. Marie exports to the U.S. will be more expensive in American dollars. This will make Canadian exports less competitive in the U.S. relative to American producers. Where American competition is constrained, substitute products will be sought to replace increasingly more expensive Canadian imports. The higher dollar will also undermine the competitiveness of services paid for in Canadian dollars that are marketed to U.S. customers. As well, this will make Canada a higher-cost tourist destination. Present outlooks expect our dollar to remain at levels approaching parity for the foreseeable future.

This does present an opportunity for businesses to purchase U.S.-sourced inputs at lower prices when denominated in Canadian currency. This includes American materials and modern, more technically-efficient equipment.

The higher cost of petroleum will also increase the cost of automobile tourist travel. There could be an offset, however, since Sault Ste. Marie may be a competitive destination if it can be marketed as an economical substitute for higher-cost destinations.

The principal challenge will emerge if the American economy enters a recession which many economists – as this report is being prepared – believe has happened. There are many reasons for an American slow-down that have been discussed in the media in the last few months. However, there is no need to go into detail in this report. The major issue will be how long the American slowdown lasts, and how deep it gets. It could mean that Destiny's strategic outcomes will be delayed, or they may need to be revised in response to rapidly-changing economic circumstances.

APPENDIX 1 – INDICATORS OF PROGRESS

Fourteen economic indicators are presented in this appendix. A summary of the findings are presented in the main body of the report. Population change is presented as the first economic indicator. It relates directly to the population measure of success. Housing starts, the next indicator discussed, demonstrated the degree of confidence in the future of the city by both families prepared to invest in a new home and by the financial community willing to undertake risk in a community. The next six indicators all describe the health and vigour of the labour market. They focus on the capacity, demand and utilization of labour. The next four indicators are intended to describe the direction of certain industry indicators, including construction, hotel occupancy, and commercial and non-commercial traffic. The final two indicators, the municipal tax base and tax revenues, provide an indication of financial capacity for the City.

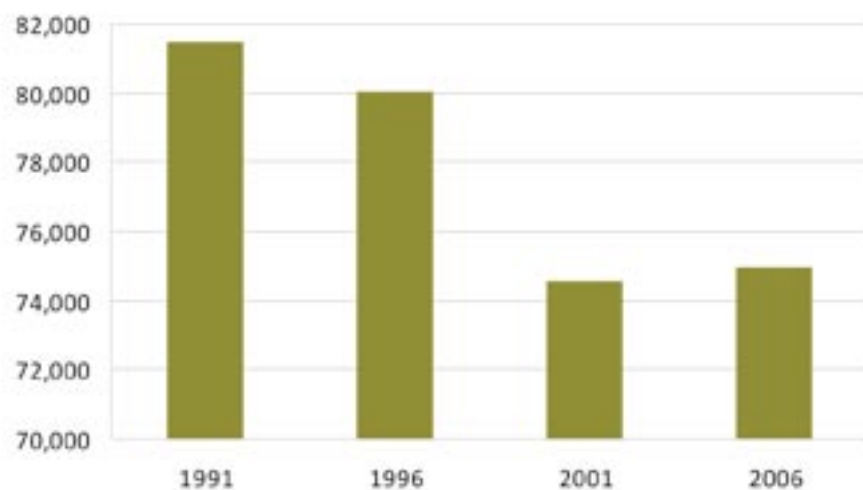
POPULATION CHANGE

According to the 1991 census, the population of Sault Ste. Marie was 81,476, well within range of Destiny's target of 82,000. However, over the next two census periods the population declined. The first drop in 1996 was rather modest – a small decline to 80,054. It was the economic turbulence at the end of the century in the steel industry and public sector that underscored the 6.9 per cent population drop in 2001. This reinforced a sense of urgency about the economic destiny of the community. In the last census, the population had stabilized at 74,948, a very modest five-year increase of half of one per cent but an increase nevertheless.

Most large Northern Ontario communities experienced population losses since the 1990s. Only Sudbury* has increased its population base since the 1991 census, but only by a few hundred. Timmins declined 9.4 per cent from 1991, Thunder Bay by 4.2 per cent and North Bay by 2.6 per cent. Sault Ste Marie is down 8.0 per cent from 1991.

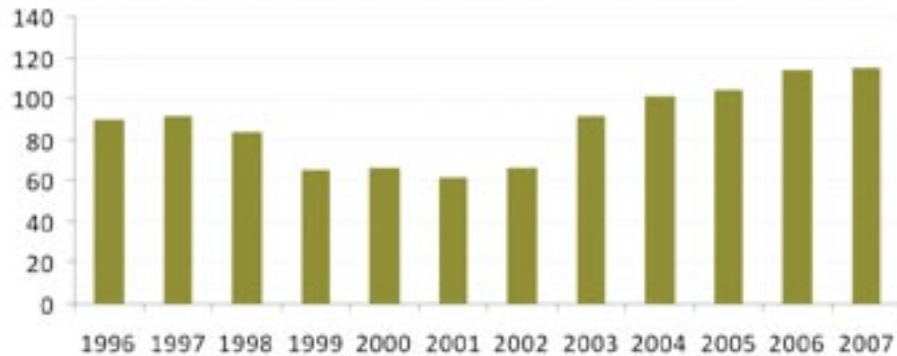
* Sudbury's census population peaked in 1996. Population numbers are for Greater Sudbury.

CENSUS POPULATION, SSM



HOUSING STARTS

NUMBER OF NEW RESIDENTIAL STARTS

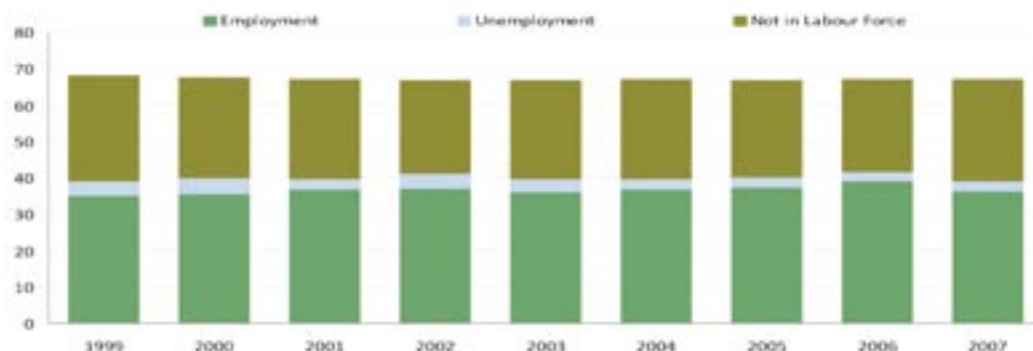


Housing starts are a key indicator of economic activity, whether we are tracking the local, provincial or national economy. Housing construction is labour intensive, employs local workers and reflects the confidence in the local economy of both house purchasers and the lending institutions that make mortgages available. Housing starts in Sault Ste. Marie reached its low point in 2001. Between 2001 and 2006, housing starts increased by an average annual rate of just under 11 per cent. In 2007, they stabilized at just above 2006 levels and above its 12 year average.

LABOUR FORCE STATISTICS

The labour force indicators presented in this section focus on the potential size of the experienced local workforce. Sault Ste. Marie's potential labour force size, based on current residents, depends, in part, on the portion of the population that is of working-age and the portion that has at least some experience in the workforce. The latter category includes workers who are presently employed and those who are willing to work but are unemployed. The following chart breaks down the total working-age population of Sault Ste. Marie into employed, unemployed and not in the labour force. The total of all three categories is the working-aged population – aged 15 and up – of the community. In 2007, a larger percentage of the working-aged population chose not to participate in the labour force, and they did not actively seek employment.

LABOUR FORCE STATISTICS THOUSANDS

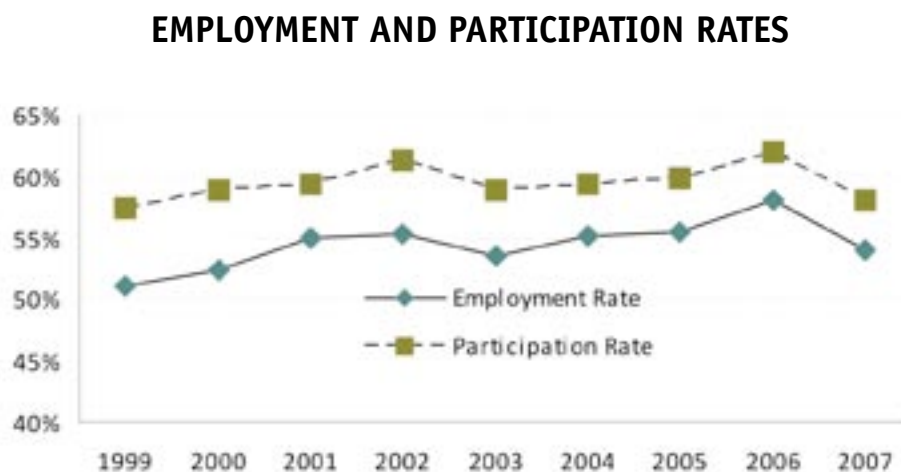


The size of the labour force has averaged 39,900 from 1999 to 2007. It reached its highest point over the period in 2006 when 41,500 were counted in the labour force. This co-incided with a nine-year peak in the number of workers employed and a nine-year low of the number of workers unemployed. This suggests that there is some flexibility to attract residents into the labour force, which declined in 2007. Although there was a marginal increase in the number of unemployed, the decline was absorbed by fewer employed, again suggesting that there is flexibility in the size of the local labour force.

EMPLOYMENT AND PARTICIPATION RATES

The employment rate is the number of employed persons divided by the working-aged population, aged 15 and up, while the participation rate is the total of employed and unemployed persons divided by the working-aged population. People of working-age may enter or leave the labour force for a variety of reasons. It may relate to changing lifestyle choices, shifting personal circumstances, changing skills or a response to fluctuations in commercial demand. As such, the participation rate is flexible within a community.

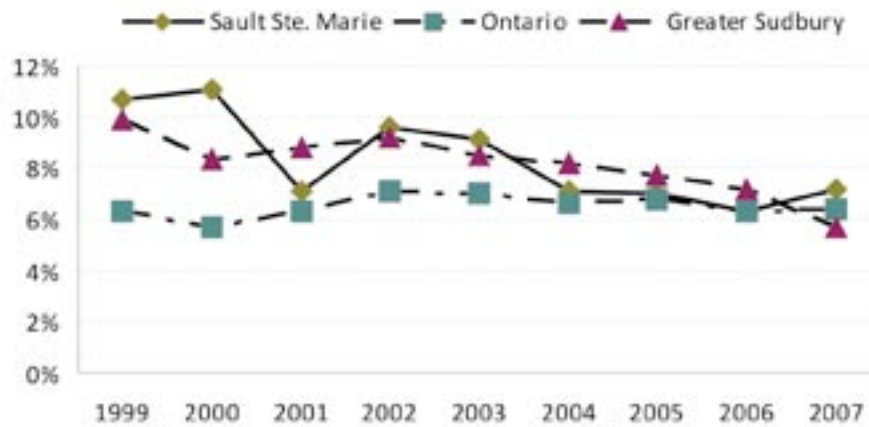
In 2007, the employment rate decreased to 58.1 per cent after having increased in each of the previous three years.



UNEMPLOYMENT RATES

Sault Ste. Marie is a northern, resource industry-based community. As would be expected, the city's unemployment rate is more volatile than the provincial average. At the beginning of the period, unemployment rates in Northeast Ontario, as witnessed by Sault Ste. Marie and Sudbury, were significantly higher than the provincial average. By 2004, the gap had all but disappeared for the Sault. It is noteworthy that the gap closed, not because the provincial unemployment rate increased but because the Northeastern Ontario rates decreased.

UNEMPLOYMENT RATE

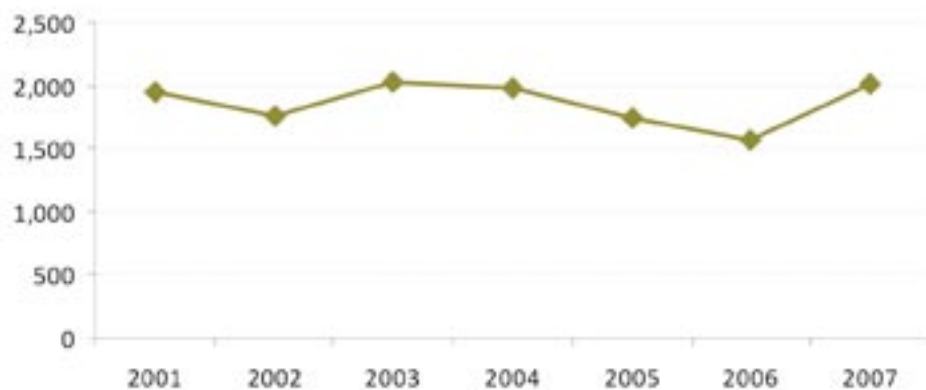


EMPLOYMENT INSURANCE CLAIMANTS

Employment Insurance provides temporary assistance for unemployed workers. Short-term assistance, called Regular Benefits, is provided to workers who lose their job and search for a new one, perhaps upgrading their skills to expand their job search opportunities. After four years, 2003 to 2006, of a tightening labour market, the number of regular Employment Insurance claimants increased, returning to 2003 levels.

Please note that the chart does not include workers who are sick, pregnant or caring for a newborn or adopted child, as well as those who must care for a family member who is seriously ill with a significant risk of death. These individuals are eligible for Special Benefits and do not have to be available for employment.

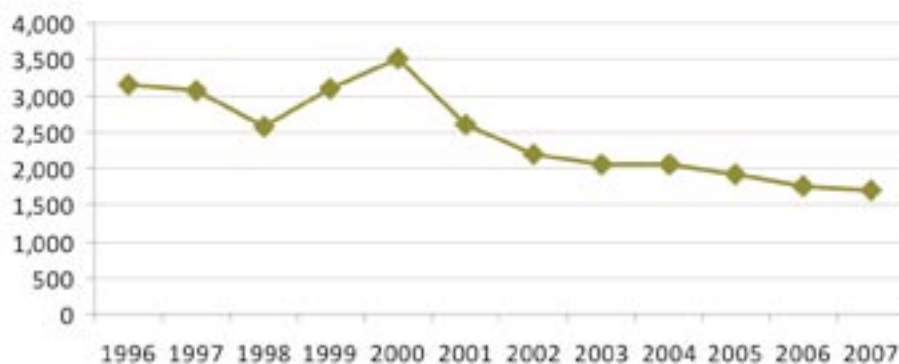
NUMBER OF EI CLAIMANTS



ONTARIO WORKS CASELOADS

Ontario Works provides employment and financial assistance to those in need of temporary help. In the case of a major layoff, it is not usually those directly affected by the shutdown that seeks assistance from the government. Rather, it is often those who are indirectly affected – workers in the service and retail sectors – that seek assistance. Ontario Works also helps people who move to Sault Ste. Marie in search of employment opportunities.

NUMBER OF ONTARIO WORKS CASELOADS



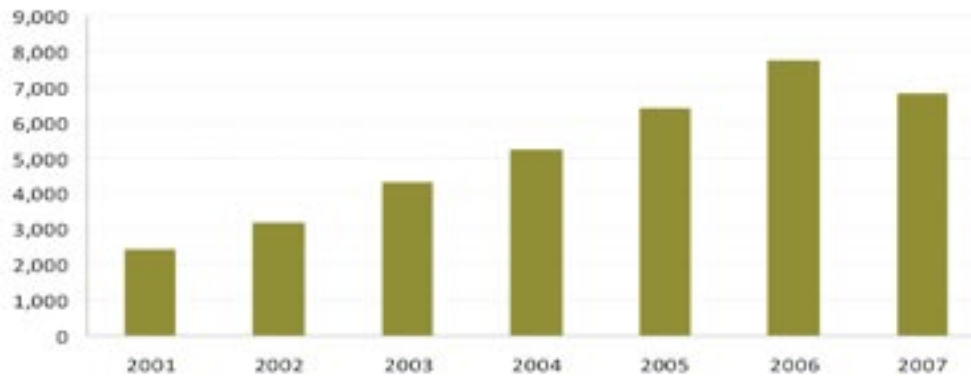
The number of caseloads is primarily dependent on two factors: the regional economy and government policy. The number of Ontario Works claims spiked in 2000, which reflected the downloading of support services from the province to district social services administrative boards. Since then, the number of cases has declined in every year up to and including 2007, when it reached the lowest number of monthly claims in a decade.

ADVERTISED JOB VACANCIES

Advertised job vacancies include job openings resulting from turnover in exiting positions, such as workers retiring or changing jobs. It does not include non-advertised positions. The number of advertised job vacancies indicates employer hiring intentions and their willingness to incur advertising costs to attract workers. They are inversely related to unemployment. When advertised vacancies are high, unemployment is low, and when advertised vacancies are low, unemployment is high.

After five years of increasing advertisement rates, the level of job vacancy postings weakened in 2007. Advertised positions increased every year from 2001 until 2006 at an average annual rate of more than 20 per cent. Advertised vacancies in 2007 dropped by almost 12 per cent but still remained above 2005 levels.

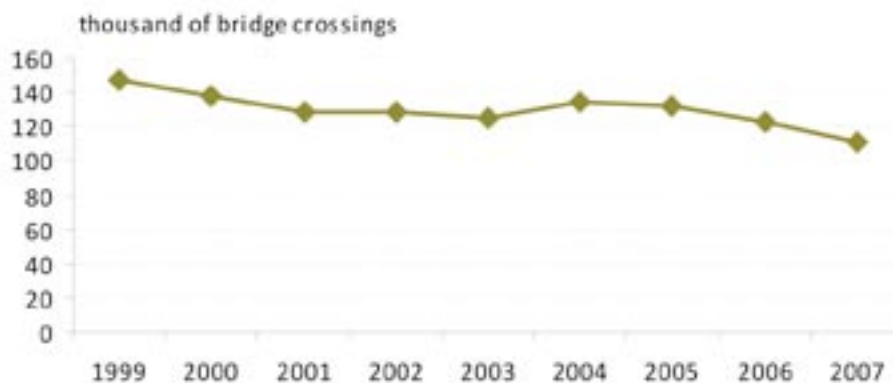
NUMBER OF ADVERTISED VACANCIES



COMMERCIAL TRUCK TRAFFIC

Commercial truck traffic on the International Bridge is an indicator of the flow of goods and services through Northern Ontario. During 2007, there were 111,335 crossings for an average of 305 per day. This was down 9.3 per cent from the previous year and is a continuation of declining commercial truck crossings. Commercial traffic declined steadily from 1999 to 2003, had a slight recovery in 2004, then resumed its negative trend. Between 1999 and 2007, commercial truck traffic declined by an annual average rate of 3.4 per cent.

COMMERCIAL TRUCK TRAFFIC THOUSAND OF BRIDGE CROSSINGS



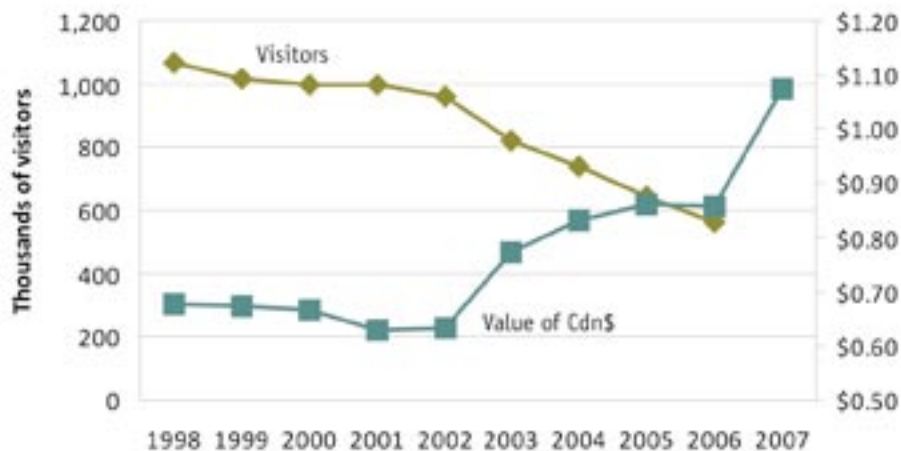
It should be noted that this trend focuses only on the number of crossings, not the value of volume of freight. No recent studies have been undertaken to determine trends about the value of freight crossing the bridge.

Also, no studies have been commissioned to identify the reason for the declining commercial truck traffic. Possible causes include the stronger Canadian dollar, tighter and more complex border security, and specific economic trade issues, such as the weakening of the lumber industry. The multi-modal initiative, currently under active study, will take advantage of the excess capacity and increase truck traffic across the bridge.

U.S. VISITS TO ALGOMA DISTRICT 1998-2006

The number of U.S. visitors to the Algoma District continued to decline in 2006, falling by over 82,000 visitors since 2005 at an annual rate of 12.7 per cent. This rate of fall was unchanged from the four-year declining rate of 12.5 per cent. The value of the Canadian dollar has been added to the right-hand axis in the table. Reduced American visitation was evident before 2001 and before the latest upward shift in the value of the Canadian dollar. The dollar ended 2007 approaching US\$1.10 which, had it held, would have placed great pressure on the Sault Ste. Marie tourist sector during 2008.

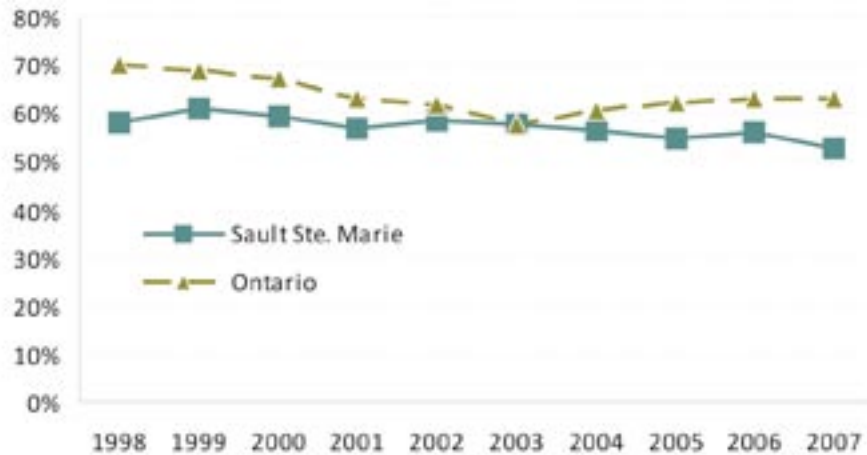
U.S. VISITORS TO ALGOMA



HOTEL OCCUPANCY

Hotel occupancy continued its gradual decline in 2007, falling to 52.6 per cent from 55.8 per cent in 2006. There are at least two concerns about this finding. First, and most obviously, it continues its recent trend of decline. Second, and perhaps more ominously, occupancy rates in Sault Ste. Marie continue to decline, while the province reversed the decline starting in 2004. There are a number of factors that could have contributed to this local trend, including the appreciation of the Canadian dollar, the high price of gasoline, the deteriorating American economy and security procedures at the U. S. border. But these factors would also have had an impact on the provincial industry as a whole. Thus, they do not, in themselves, explain why Sault Ste. Marie hotel occupancy rates are low.

HOTEL OCCUPANCY RATE

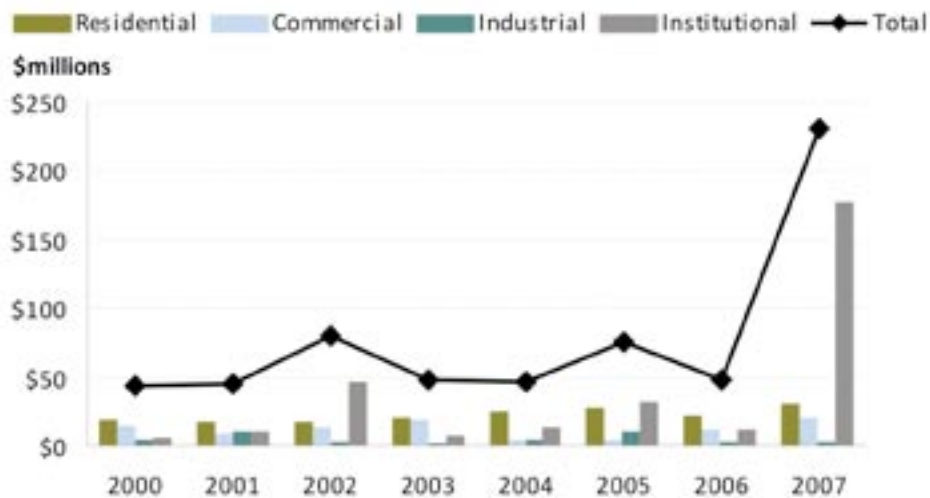


An analysis of Sault Ste. Marie occupancy rates should look at the relative magnitude of the increased capacity in the city compared to the increased capacity at the provincial level. As well, the specific market segments that attract people to the city – business travelers, through traffic, destination-specific tourists – should also be studied.

CONSTRUCTION VALUES 2000-2007

The total value of construction in Sault Ste. Marie increased by almost 400 per cent between 2006 and 2007, rising from \$47 million to over \$231 million. Institutional construction – the completion of the new sports and recreation centre, as well as the start of the new hospital – led the way with an increase from \$11 million in 2006 to \$117 million in 2007. Residential construction, an indicator of the confidence of individual citizens and their commitment to the community, increased by just over 50 per cent, year-over-year. It reached \$31 million, the highest value over the nine-year period. Commercial construction also registered very strong annual growth, increasing by 60 per cent over 2006 for a total value of just under \$20 million.

VALUE OF BUILDING CONSTRUCTION \$MILLIONS



BANKRUPTCY STATISTICS 1991-2007

Bankruptcy statistics for Sault Ste. Marie were included for earlier progress reports. However, there was some difficulty obtaining them for 2007. Data was gathered for Northeastern Ontario, but it was not used for this local analysis.

TAX BASE ASSESSMENT

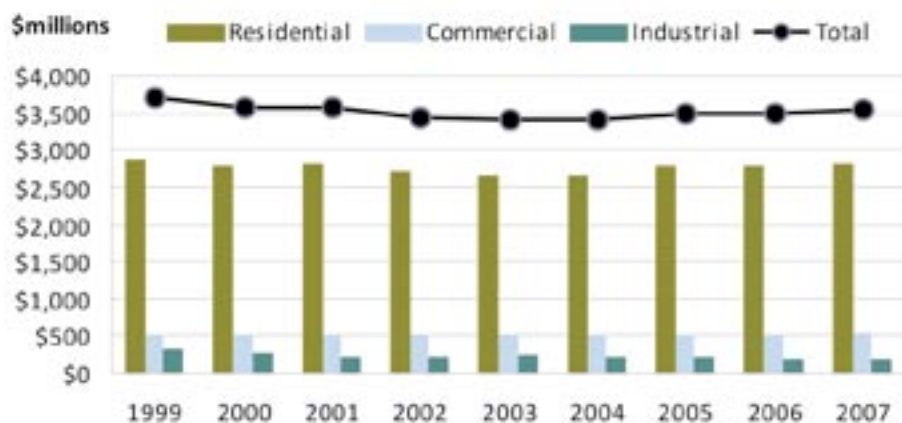
The tax base is the assessed value of properties within Sault Ste. Marie. The assessed value fell from \$3,705 million in 1999 to \$3,396 million in 2004, where it stabilized and has slowly recovered. In 2007, assessments increased by \$29 million, reaching \$3,531 million.

The tax base is broken into three categories: residential, commercial, and industrial. Residential property accounted for 79.5 per cent of total value, up from 77.6 per cent in 1999. For residential assessments, 2005 was a very good year, as it offset the negative climate of 2002. In 2007, residential property assessments continued its three-year increase with a rise of 0.6 per cent.

Commercial property assessments continued its strong growth, registering an increase of 2.5 per cent and increasing its share of the municipal tax base to 15.1 per cent from 13.6 per cent in 1999. Together, commercial and residential property assessments are an important indicator of community financial vitality. They are both dependent on the willingness and the confidence of residents to spend money within the community.

Industrial assessed property values are dominated by the steel products industrial cluster in Sault Ste. Marie, which has been challenged by developments in global markets. Its decline since 1999 almost stabilized in 2007, falling only 0.5 per cent from 2006.

TAX BASE ASSESSMENTS, BY PROPERTY \$MILLIONS

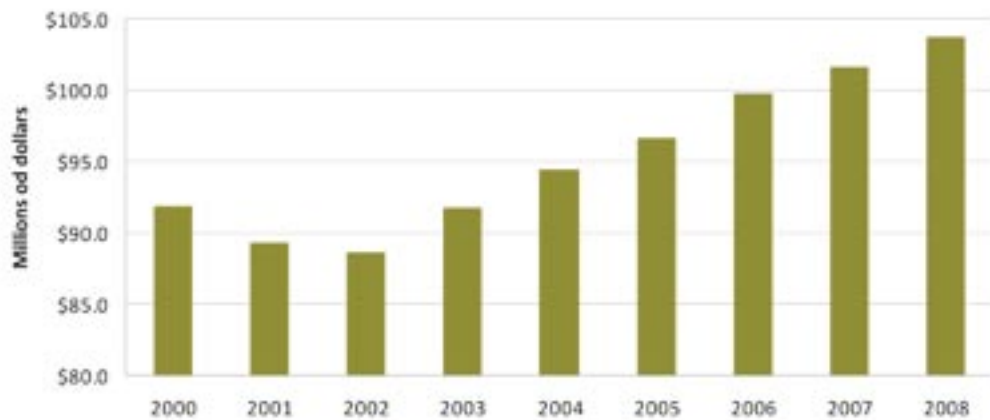


MUNICIPAL TAX REVENUES 2000-2008

Municipal tax revenues finance city infrastructure and services, and it is not uncommon for the provincial and federal levels of government to require municipalities to participate financially to access their programs. Tax revenues increased from \$101.6 million in 2007 to \$103.7 million in 2008. This represented a 2.1 per cent annual increase, just slightly below its six-year compound rate of increase of 2.7 per cent. The below-average increase represented a potential revenue loss of \$0.6 million in 2008.

Please note that this indicator is reflects political decisions concerning the level of the local tax load. The other indicators reflected market-based activities or were the direct consequences of market-based activities. It is included in this report for consistency with the previous progress reports.

MUNICIPAL TAX REVENUE



APPENDIX 2 – LOCATION QUOTIENTS

The following table presents the location quotient for NAICS industry groups in Sault Ste. Marie between 2006 and 2001.

Note:

- The detailed numbers at this level of industry are not published by Statistics Canada and are considered confidential. As such, only the location quotient is included in this appendix.
- Statistics Canada round to the nearest number divisible by five. This means that where the actual number is very small, the location quotient may be exaggerated and grossly overestimated or underestimated.
- NAICS underwent some revision between 2001 and 2006. This appendix makes no attempt to reconcile the difference.

	LQ 2001 Industry Group	LQ 2006 Industry Group
1110 Farms (1111 to 1129)	0.20	0.17
1131 Timber tract operations	0.00	0.00
1132 Forest nurseries and gathering of forest products	0.00	0.00
1133 Logging	4.11	2.48
1141 Fishing	0.00	1.43
1142 Hunting and trapping	15.19	0.00
1150 Support activities for farms (1151 to 1152)	0.00	0.45
1153 Support activities for forestry	11.89	5.56
2111 Oil and gas extraction	0.00	0.00
2121 Coal mining	0.00	0.00
2122 Metal ore mining	0.38	0.48
2123 Non-metallic mineral mining and quarrying	0.41	0.70
2131 Support activities for mining and oil and gas extraction	1.02	0.91
2199 Mining - unspecified	0.00	2.54
2211 Electric power generation, transmission and distribution	0.81	0.88
2212 Natural gas distribution	1.02	0.57
2213 Water, sewage and other systems	0.70	0.81
2311 Land subdivision and land development	0.00	
2312 Building construction	0.89	
2313 Engineering construction	1.63	
2314 Construction management	0.92	
2321 Site preparation work	0.84	
2322 Building structure work	0.92	
2323 Building exterior finishing work	0.53	
2324 Building interior finishing work	0.72	
2325 Building equipment installation	1.05	
2329 Other special trade contracting	0.17	
2361 Residential building construction		0.75
2362 Non-residential building construction		1.03
2371 Utility system construction		1.14
2372 Land subdivision		0.00
2373 Highway, street and bridge construction		2.39
2379 Other heavy and civil engineering construction		0.88
2381 Foundation, structure, and building exterior contractors		0.73
2382 Building equipment contractors		0.81
2383 Building finishing contractors		0.55
2389 Other specialty trade contractors		0.78
3111 Animal food manufacturing	0.00	0.00
3112 Grain and oilseed milling	0.00	0.00
3113 Sugar and confectionery product manufacturing	0.21	0.00
3114 Fruit and vegetable preserving and specialty food manufacturing	0.00	0.00
3115 Dairy product manufacturing	0.21	0.00

3116 Meat product manufacturing	0.13	0.00
3117 Seafood product preparation and packaging	0.00	1.49
3118 Bakeries and tortilla manufacturing	0.50	0.31
3119 Other food manufacturing	0.41	0.55
3121 Beverage manufacturing	0.85	0.28
3122 Tobacco manufacturing	0.00	0.00
3131 Fibre, yarn and thread mills	0.00	0.00
3132 Fabric mills	0.00	0.00
3133 Textile and fabric finishing and fabric coating	0.00	0.00
3141 Textile furnishings mills	0.00	0.00
3149 Other textile product mills	0.34	0.00
3151 Clothing knitting mills	0.00	0.00
3152 Cut and sew clothing manufacturing	0.14	0.10
3159 Clothing accessories and other clothing manufacturing	0.00	0.00
3161 Leather and hide tanning and finishing	0.00	0.00
3162 Footwear manufacturing	0.00	0.00
3169 Other leather and allied product manufacturing	0.00	0.00
3211 Sawmills and wood preservation	2.08	2.07
3212 Veneer, plywood and engineered wood product manufacturing	5.64	5.01
3219 Other wood product manufacturing	0.40	0.16
3221 Pulp, paper and paperboard mills	4.60	4.42
3222 Converted paper product manufacturing	0.13	0.10
3231 Printing and related support activities	0.28	0.21
3241 Petroleum and coal products manufacturing	0.00	0.00
3251 Basic chemical manufacturing	0.40	0.00
3252 Resin, synthetic rubber, and artificial and synthetic fibres and filaments manufacturing	0.00	0.00
3253 Pesticide, fertilizer and other agricultural chemical manufacturing	0.00	0.00
3254 Pharmaceutical and medicine manufacturing	0.00	0.00
3255 Paint, coating and adhesive manufacturing	0.00	0.00
3256 Soap, cleaning compound and toilet preparation manufacturing	0.19	0.20
3259 Other chemical product manufacturing	0.22	0.00
3261 Plastic product manufacturing	0.22	0.04
3262 Rubber product manufacturing	0.36	0.15
3271 Clay product and refractory manufacturing	0.84	1.12
3272 Glass and glass product manufacturing	0.00	0.46
3273 Cement and concrete product manufacturing	0.62	0.59
3274 Lime and gypsum product manufacturing	0.00	0.00
3279 Other non-metallic mineral product manufacturing	0.42	1.12
3311 Iron and steel mills and ferro-alloy manufacturing	25.48	23.84
3312 Steel product manufacturing from purchased steel	2.03	14.69
3313 Alumina and aluminum production and processing	0.00	0.80
3314 Non-ferrous metal (except aluminum) production and processing	0.57	0.40
3315 Foundries	0.00	1.32
3321 Forging and stamping	0.00	0.00
3322 Cutlery and hand tool manufacturing	0.00	0.65
3323 Architectural and structural metals manufacturing	0.75	0.41

3324 Boiler, tank and shipping container manufacturing	0.00	0.28
3325 Hardware manufacturing	0.00	0.00
3326 Spring and wire product manufacturing	0.00	0.00
3327 Machine shops, turned product, and screw, nut and bolt manufacturing	0.56	1.23
3328 Coating, engraving, heat treating and allied activities	0.00	0.00
3329 Other fabricated metal product manufacturing	1.02	0.98
3331 Agricultural, construction and mining machinery manufacturing	0.20	0.00
3332 Industrial machinery manufacturing	0.00	0.00
3333 Commercial and service industry machinery manufacturing	0.00	0.00
3334 Ventilation, heating, air-conditioning and commercial refrigeration equipment manufacturing	0.60	0.00
3335 Metalworking machinery manufacturing	0.11	0.00
3336 Engine, turbine and power transmission equipment manufacturing	1.64	3.26
3339 Other general-purpose machinery manufacturing	0.09	0.15
3341 Computer and peripheral equipment manufacturing	0.12	0.00
3342 Communications equipment manufacturing	0.00	0.12
3343 Audio and video equipment manufacturing	0.00	0.00
3344 Semiconductor and other electronic component manufacturing	0.09	0.00
3345 Navigational, measuring, medical and control instruments manufacturing	0.13	0.00
3346 Manufacturing and reproducing magnetic and optical media	0.00	0.00
3351 Electric lighting equipment manufacturing	0.00	0.58
3352 Household appliance manufacturing	0.00	0.00
3353 Electrical equipment manufacturing	0.00	0.37
3359 Other electrical equipment and component manufacturing	0.10	0.00
3361 Motor vehicle manufacturing	0.04	0.07
3362 Motor vehicle body and trailer manufacturing	0.00	0.25
3363 Motor vehicle parts manufacturing	0.02	0.04
3364 Aerospace product and parts manufacturing	0.10	0.18
3365 Railroad rolling stock manufacturing	0.00	0.00
3366 Ship and boat building	0.00	0.00
3369 Other transportation equipment manufacturing	2.95	0.00
3371 Household and institutional furniture and kitchen cabinet manufacturing	0.10	0.27
3372 Office furniture (including fixtures) manufacturing	0.00	0.00
3379 Other furniture-related product manufacturing	0.00	0.00
3391 Medical equipment and supplies manufacturing	0.31	0.19
3399 Other miscellaneous manufacturing	0.14	0.47
4111 Farm product wholesaler-distributors	0.00	0.00
4121 Petroleum product wholesaler-distributors	1.53	0.86
4131 Food wholesaler-distributors	0.28	0.27
4132 Beverage wholesaler-distributors	0.73	0.00
4133 Cigarette and tobacco product wholesaler-distributors	2.87	0.00
4141 Textile, clothing and footwear wholesaler-distributors	0.00	0.18
4142 Home entertainment equipment and household appliance wholesaler-distributors	0.00	0.00
4143 Home furnishings wholesaler-distributors	0.31	0.00
4144 Personal goods wholesaler-distributors	0.00	0.32
4145 Pharmaceuticals, toiletries, cosmetics and sundries wholesaler-distributors	0.19	0.00

4151 Motor vehicle wholesaler-distributors	1.35	0.44
4152 New motor vehicle parts and accessories wholesaler-distributors	1.28	1.13
4153 Used motor vehicle parts and accessories wholesaler-distributors	0.94	1.23
4161 Electrical, plumbing, heating and air-conditioning equipment and supplies wholesaler-distributors	0.30	0.54
4162 Metal service centres	0.54	0.40
4163 Lumber, millwork, hardware and other building supplies wholesaler-distributors	0.67	0.61
4171 Farm, lawn and garden machinery and equipment wholesaler-distributors	0.57	0.00
4172 Construction, forestry, mining, and industrial machinery, equipment and supplies wholesaler-distributors	0.51	0.79
4173 Computer and communications equipment and supplies wholesaler-distributors	0.15	0.17
4179 Other machinery, equipment and supplies wholesaler-distributors	0.36	0.36
4181 Recyclable material wholesaler-distributors	0.53	0.30
4182 Paper, paper product and disposable plastic product wholesaler-distributors	0.25	0.36
4183 Agricultural supplies wholesaler-distributors	0.00	0.33
4184 Chemical (except agricultural) and allied product wholesaler-distributors	0.31	0.00
4189 Other miscellaneous wholesaler-distributors	0.17	0.10
4191 Wholesale agents and brokers	0.61	0.11
4411 Automobile dealers	0.90	1.07
4412 Other motor vehicle dealers	2.71	1.06
4413 Automotive parts, accessories and tire stores	0.77	0.69
4421 Furniture stores	0.41	1.23
4422 Home furnishings stores	1.18	1.48
4431 Electronics and appliance stores	1.14	0.63
4441 Building material and supplies dealers	1.45	1.28
4442 Lawn and garden equipment and supplies stores	0.58	0.00
4451 Grocery stores	1.37	1.17
4452 Specialty food stores	0.98	0.95
4453 Beer, wine and liquor stores	1.26	1.16
4461 Health and personal care stores	1.06	1.13
4471 Gasoline stations	1.37	1.10
4481 Clothing stores	1.11	0.87
4482 Shoe stores	1.43	0.64
4483 Jewellery, luggage and leather goods stores	1.63	1.39
4511 Sporting goods, hobby and musical instrument stores	1.14	1.03
4512 Book, periodical and music stores	1.06	0.34
4521 Department stores	1.12	1.66
4529 Other general merchandise stores	1.35	1.26
4531 Florists	0.86	1.06
4532 Office supplies, stationery and gift stores	1.59	1.52
4533 Used merchandise stores	1.47	1.41
4539 Other miscellaneous store retailers	1.11	0.83
4541 Electronic shopping and mail-order houses	1.32	0.33
4542 Vending machine operators	0.00	0.89
4543 Direct selling establishments	1.29	2.68
4811 Scheduled air transportation	0.60	0.48
4812 Non-scheduled air transportation	0.85	4.13

4821 Rail transportation	2.01	2.77
4831 Deep-sea, coastal and great lakes water transportation	0.00	5.07
4832 Inland water transportation	0.00	0.00
4841 General freight trucking	0.64	0.63
4842 Specialized freight trucking	0.89	0.73
4851 Urban transit systems	0.41	0.59
4852 Interurban and rural bus transportation	1.57	0.00
4853 Taxi and limousine service	0.67	1.32
4854 School and employee bus transportation	1.20	1.39
4855 Charter bus industry	0.00	0.00
4859 Other transit and ground passenger transportation	0.00	0.00
4861 Pipeline transportation of crude oil	0.00	0.00
4862 Pipeline transportation of natural gas	0.00	0.00
4869 Other pipeline transportation	0.00	11.39
4871 Scenic and sightseeing transportation, land	10.12	0.00
4872 Scenic and sightseeing transportation, water	9.29	2.50
4879 Scenic and sightseeing transportation, other	0.00	0.00
4881 Support activities for air transportation	2.58	1.02
4882 Support activities for rail transportation	3.33	1.59
4883 Support activities for water transportation	3.18	2.61
4884 Support activities for road transportation	1.81	2.47
4885 Freight transportation arrangement	0.12	0.44
4889 Other support activities for transportation	2.32	2.15
4911 Postal service	0.73	0.93
4921 Couriers	0.40	0.57
4922 Local messengers and local delivery	0.00	1.52
4931 Warehousing and storage	0.17	0.10
5111 Newspaper, periodical, book and database publishers	0.88	1.00
5112 Software publishers	0.00	0.00
5121 Motion picture and video industries	0.33	0.45
5122 Sound recording industries	0.00	0.00
5131 Radio and television broadcasting	0.75	
5132 Pay TV, specialty TV and program distribution	0.19	
5133 Telecommunications	0.55	
5141 Information services	0.56	
5142 Data processing services	0.35	
5151 Radio and television broadcasting		0.60
5152 Pay and specialty television		0.00
5161 Internet publishing and broadcasting		0.00
5171 Wired telecommunications carriers		0.36
5172 Wireless telecommunications carriers (except satellite)		0.77
5173 Telecommunications resellers		1.40
5174 Satellite telecommunications		0.00
5175 Cable and other program distribution		0.63
5179 Other telecommunications		0.00
5181 Internet service providers, web search portals		0.55

5182 Data processing, hosting and related services		0.00
5191 Other information services		0.59
5211 Monetary authorities - central bank	0.00	0.00
5221 Depository credit intermediation	0.58	0.52
5222 Non-depository credit intermediation	0.67	0.20
5223 Activities related to credit intermediation	1.44	0.00
5231 Securities and commodity contracts intermediation and brokerage	0.42	0.38
5232 Securities and commodity exchanges	0.00	0.00
5239 Other financial investment activities	0.44	0.49
5241 Insurance carriers	0.32	0.15
5242 Agencies, brokerages and other insurance related activities	0.54	0.53
5261 Pension funds	0.00	0.00
5269 Other funds and financial vehicles	0.00	0.00
5311 Lessors of real estate	1.29	0.84
5312 Offices of real estate agents and brokers	0.54	0.46
5313 Activities related to real estate	0.73	0.57
5321 Automotive equipment rental and leasing	1.39	0.74
5322 Consumer goods rental	1.10	0.80
5323 General rental centres	1.40	0.00
5324 Commercial and industrial machinery and equipment rental and leasing	0.68	2.22
5331 Lessors of non-financial intangible assets (except copyrighted works)	0.00	0.00
5411 Legal services	0.76	0.90
5412 Accounting, tax preparation, bookkeeping and payroll services	0.82	0.85
5413 Architectural, engineering and related services	0.71	0.57
5414 Specialized design services	0.30	0.34
5415 Computer systems design and related services	0.12	0.16
5416 Management, scientific and technical consulting services	0.37	0.45
5417 Scientific research and development services	0.42	0.20
5418 Advertising and related services	0.92	0.17
5419 Other professional, scientific and technical services	0.62	0.73
5511 Management of companies and enterprises	0.72	0.59
5611 Office administrative services	1.30	0.34
5612 Facilities support services	0.00	0.00
5613 Employment services	0.22	0.19
5614 Business support services	2.47	5.83
5615 Travel arrangement and reservation services	0.66	0.53
5616 Investigation and security services	1.00	1.08
5617 Services to buildings and dwellings	0.94	0.99
5619 Other support services	1.92	0.40
5621 Waste collection	0.77	1.04
5622 Waste treatment and disposal	1.11	0.69
5629 Remediation and other waste management services	0.00	0.86
6111 Elementary and secondary schools	1.29	1.38
6112 Community colleges and C.E.G.E.P.s	2.53	2.20
6113 Universities	0.51	0.47
6114 Business schools and computer and management training	1.14	0.44

6115 Technical and trade schools	0.00	0.94
6116 Other schools and instruction	0.72	0.54
6117 Educational support services	0.99	0.66
6211 Offices of physicians	1.08	1.17
6212 Offices of dentists	0.80	0.90
6213 Offices of other health practitioners	1.49	0.90
6214 Out-patient care centres	1.17	1.42
6215 Medical and diagnostic laboratories	0.80	0.75
6216 Home health care services	0.95	1.66
6219 Other ambulatory health care services	1.00	0.26
6220 Hospitals (6221 to 6223)	1.62	1.45
6230 Nursing and residential care facilities (6231 to 6239)	1.77	1.63
6241 Individual and family services	1.87	1.45
6242 Community food and housing, and emergency and other relief services	0.59	0.90
6243 Vocational rehabilitation services	1.85	2.24
6244 Child day-care services	0.99	0.95
7111 Performing arts companies	0.49	0.51
7112 Spectator sports	0.71	0.21
7113 Promoters (presenters) of performing arts, sports and similar events	0.83	0.00
7114 Agents and managers for artists, athletes, entertainers and other public figures	0.00	0.00
7115 Independent artists, writers and performers	0.35	0.32
7121 Heritage institutions	1.20	0.95
7131 Amusement parks and arcades	0.00	0.00
7132 Gambling industries	6.03	5.64
7139 Other amusement and recreation industries	0.83	1.11
7211 Traveller accommodation	2.11	2.10
7212 RV (recreational vehicle) parks and recreational camps	1.33	1.29
7213 Rooming and boarding houses	3.24	2.14
7221 Full-service restaurants	1.14	0.98
7222 Limited-service eating places	1.19	1.23
7223 Special food services	1.17	0.90
7224 Drinking places (alcoholic beverages)	2.58	1.59
8111 Automotive repair and maintenance	1.51	2.18
8112 Electronic and precision equipment repair and maintenance	1.10	0.58
8113 Commercial and industrial machinery and equipment (except automotive and electronic) repair and maintenance	0.77	0.84
8114 Personal and household goods repair and maintenance	0.50	0.70
8121 Personal care services	1.54	1.06
8122 Funeral services	0.76	1.58
8123 Dry-cleaning and laundry services	0.75	1.73
8129 Other personal services	0.46	0.60
8131 Religious organizations	0.67	0.77
8132 Grant-making and giving services	2.89	0.61
8133 Social advocacy organizations	2.42	1.44
8134 Civic and social organizations	1.58	2.02
8139 Business, professional, labour and other membership organizations	0.72	1.11
8141 Private households	1.67	0.81

9111 Defence services	0.69	0.89
9112 Other federal services (9112 to 9119)	0.80	0.67
9120 Provincial and territorial public administration (9121 to 9129)	2.17	2.34
9130 Local, municipal and regional public administration (9131 to 9139)	1.48	1.27
9141 Aboriginal public administration	3.30	8.16
9191 International and other extra-territorial public administration	1.19	1.65

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