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Revolution or Devolution?:

How Northern Ontario Should be Governed

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Contents

Who We Are _____	2
About the Author _____	3
Executive Summary _____	4
Introduction _____	5
The Questions and <i>the</i> Question _____	6
Conclusion _____	15
References _____	16
Who We Are _____	17

About the Author

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David teaches Game Theory, Natural Resource Economics, Statistics, and Econometrics. He has been active in developing Laurentian's new School of Northern Development and in promoting various projects in the community.

Executive Summary

Northern Ontario covers 802,000 square kilometres and makes up nearly 90 per cent of the province's total land mass. If it were in Europe, it would be the largest member of the European Union and within Canada, if it were its own province, it would be the third largest by area and the eighth largest by population. Given its large landmass and unique regional characteristics, this paper addresses the ongoing conundrum for both Northerners and the province alike about how Northern Ontario should be governed.

Many thousand northerners have asked if the current arrangement whether it is sufficiently democratic and economically efficient for the citizens of the region. Should the people of Northern Ontario have more control over the decisions that will shape the future of the region? Should Northern Ontario be independent or self-governing?

This research paper examines these governance questions beginning with the origins and history of Northern Ontario. The author explores whether it would be economically and politically possible for Northern Ontario to exist as its own province. The author argues that political rather than economic barriers stand in the way of provincial status for Northern Ontario, but suggests several alternatives that the province could explore that currently fall within power of the provincial legislature.

The first option includes granting Northern Ontario legislative powers to create a framework for broader powers for the region which balances the interests of the province and the region and which recognizes the inherent qualities of Northern Ontario that must be taken into account in order to provide good government. Such an act would need to create a representative regional assembly, perhaps with representatives coming from existing municipal bodies, with specific but limited sub-provincial powers.

Second, the province could create an elected but advisory Northern Ontario assembly and charge it with providing advice to the provincial legislature on all matters relating to Northern Ontario, with the hopes that a more formal consultative process will improve the region's standing.

A third option could also include the creation of a semi-autonomous district with most of the powers of a province, reorganizing itself as a kind of sub-federation, and ceding any decision that affects only the North to a Northern Regional government. This approach might be applied across the province, creating district governments for other distinct sections of the province.

The paper also explores the process of devolution and whether this would be applicable to Northern Ontario.

Devolution is the statutory granting of powers from the central government of a sovereign state to government at a subnational level, such as a regional, local, or state level and it is already a key pillar of Canada's Northern Strategy at the federal level. Devolution is a more complicated question for Northern Ontario as the region is already part of an existing province, but the argument presented here suggests that there are no real serious technical, economic or legal objections to beginning a process of devolution. It is clearly within the power of the province, and is likely to improve governance of the North and make at least the North more democratic. Furthermore, a strong case can be made that there would be significant economic advantages from devolution of powers in some form to Northern Ontario.

The question that requires further consideration is whether Northerners should press for provincial status or for the status of a semi-autonomous region within Ontario, or for devolution of specific power to a democratically elected regional government. The alternative for Northerners is to continue to accept the current arrangement and accept declining influence over their own future. Northerners, however, lack the democratic institutions to debate the issue and southerners have no interest in the project. Clearly if change is needed, it will require a long struggle, first to convince a sufficiently large number of Northerners, then to convince the rest of the province.



Introduction

Quiet dissatisfaction with the way Northern Ontario is governed is widespread within the region. It is the unifying theme of authors in the 2013 edited volume by Conteh and Segsworth, *Governance in Northern Ontario: Economic Development and Policy Making*. It is the clear result from a poll conducted by Oraclepoll Research in April 2014 (Figure 1).¹

Q1 Overall, how would you rate the way that provincial governments have managed the affairs and issues of Northern Ontario?

Figure 1. Satisfaction with Provincial Government Management

Response	Percent
poor	34.1
neither poor nor good	26.7
very poor	22.4
good	9
very good	5.7
don't know/unsure	2.1
Total	100

Source: Oraclepoll Research, April 2014.

Dissatisfaction with government in general is also widespread, so perhaps the grumblings of academics and the generally negative public view of the provincial government's performance is not surprising.

Nonetheless, the limited evidence available suggests that the people of Northern Ontario are not satisfied with the way the region has been governed. Their dissatisfaction has been repeatedly noted in the national press. An article by Robert Sibley for the *Ottawa Citizen*, quotes Michael Atkins, president of Laurentian Media Group, which owns the business-oriented monthly *Northern Ontario Business*, saying "We live in something of a Third World economy in northern Ontario. We have very little official sovereignty over our community or regional affairs (Sibley, 2007)."

The idea that Northern Ontario should be self-governing has been in the air for more than a century. It is probably reasonable to say that the idea has fairly wide appeal across the North (Figure 2), but as a practical political project it seems both risky and unlikely to succeed.

¹ The report represents the findings from an April 2014 omnibus telephone survey of 580 voting age residents (18 years of age or older) from northern Ontario conducted between the days of April 16th to April 22nd 2014. The margin of error for this 580-person survey is +/- 4.1%, 19/20 times. The question was sponsored by the Northern Ontario Heritage Party.

Q4 In your opinion, are Northern Ontario residents better able to manage the affairs of Northern Ontario than provincial governments at Queens Park?

Figure 2. Who can manage Northern Ontario

Response	Percent
yes	56
no	24.1
don't know	19.8
Total	100

Source: Oraclepoll Research, April 2014.

The Questions and *the* Question

The most basic question for Northern Ontario is "How should Northern Ontario be governed?" Should the region be independent or self-governing? Should the people of Northern Ontario have more control of the decisions that will shape the future of the region? Or is the current arrangement satisfactory: is it economically efficient, democratic, and satisfactory to the citizens of the region? After two hundred years serving as the woodlot for what was once called "Upper Canada," it is probably time to take a serious look at the way the North is run.

Before tackling the big question, there are questions that should be answered:

1. What is Northern Ontario today?
2. How did the area come to be part of Ontario?
3. Could it have become a province?
4. What would be different if Northern Ontario had become a province?
5. Is it economically possible for Northern Ontario to be a province today?
6. Is it politically possible for Northern Ontario to be a province today?
7. Are there alternatives that fall between provincial status and the current status for the province? This is the question of creating a special district status for Northern Ontario.
8. Is it desirable for Northern Ontario to be a province today?

Although most of these questions are fairly easy to answer, there does not seem to be a single source that brings the answers together as background to the basic question. This document is an attempt to fill that gap. It stops short of taking a position on northern governance and the long-term status of Northern Ontario.

What is Northern Ontario today?

Northern Ontario is a remarkable oddity in world terms. If it were in Europe, it would be the largest member of the European Union (Figure 3). If it were in Russia, it would have a parliament of its own. Around the world, regions of similar size and or population generally have legislatures of their own (Figure 4).

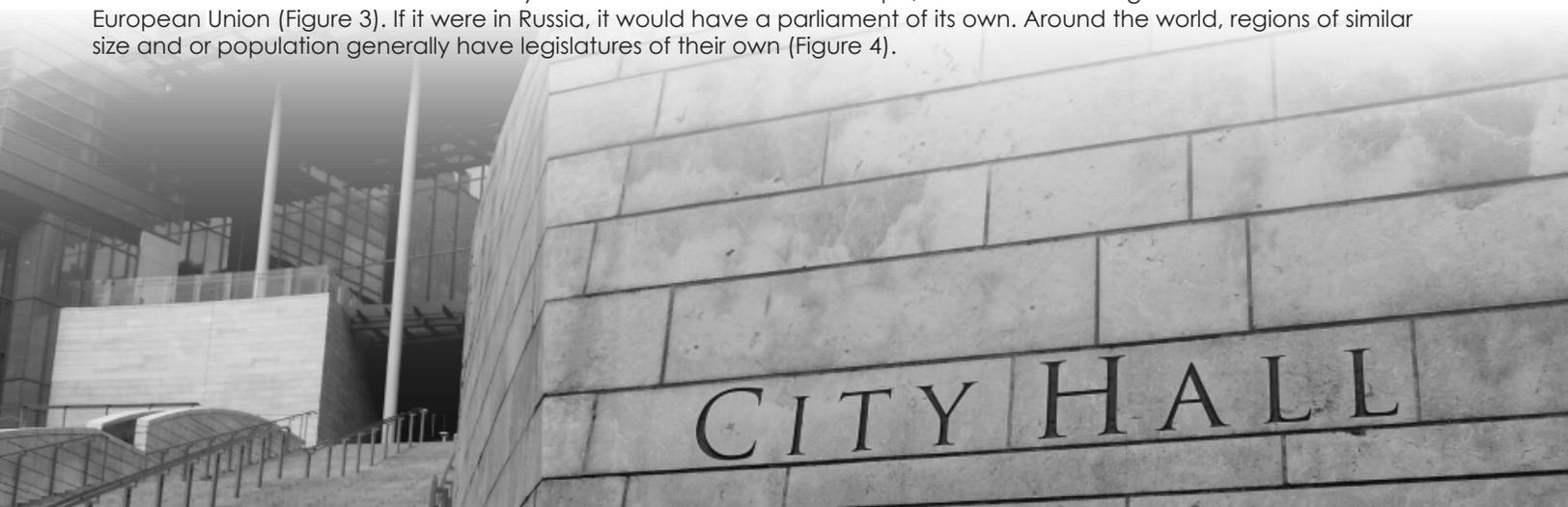
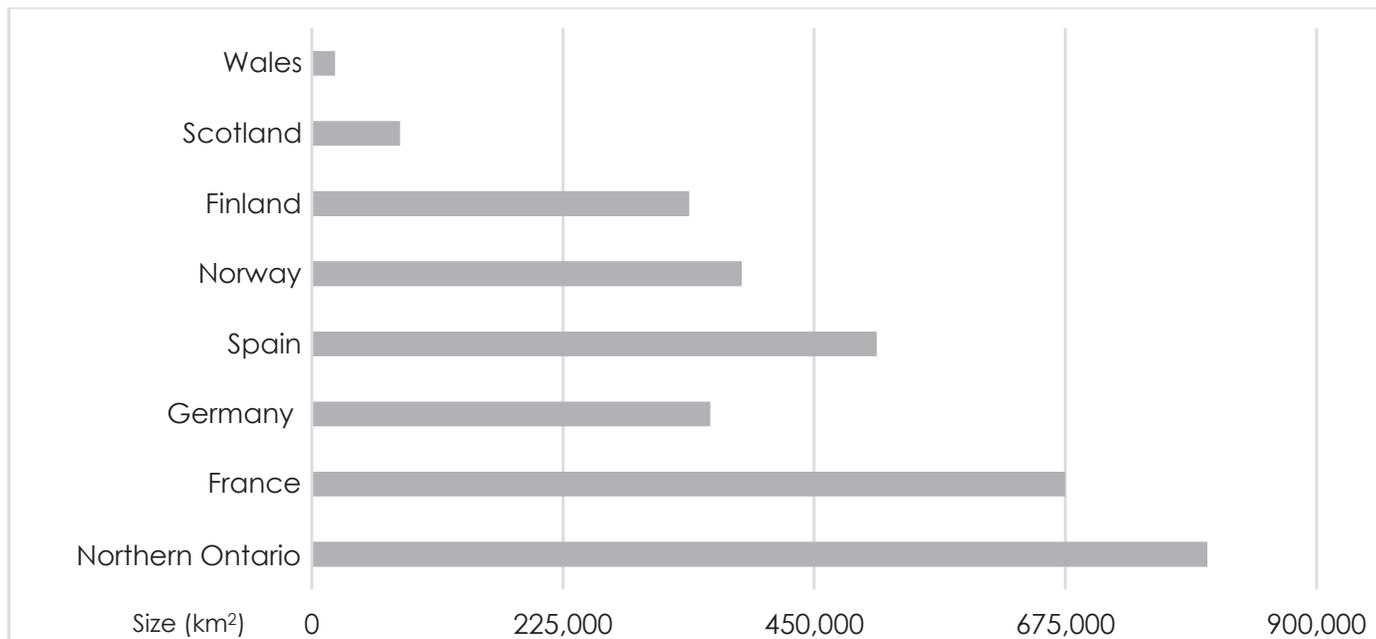
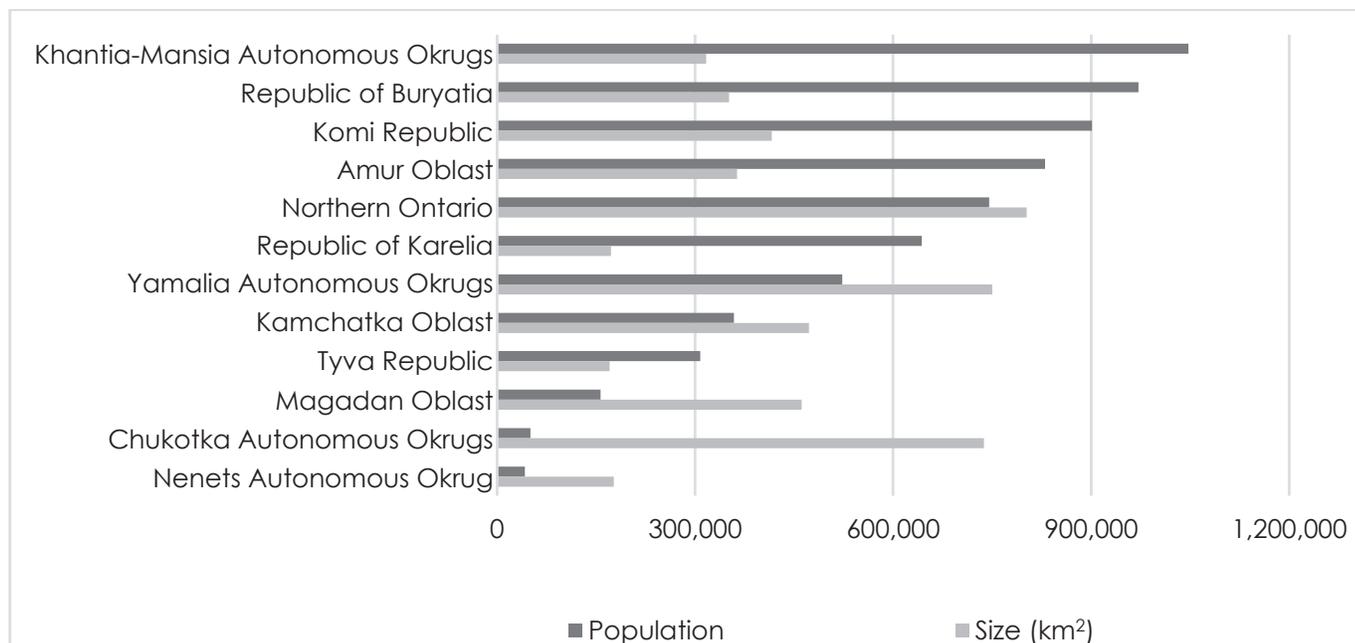


Figure 3. Northern Ontario is big compared to European States



Source: Ontario Ministry of Mines and Northern Development, World Statistics Pocketbook, and UN Statistics Division.

Figure 4. Russian jurisdictions with a comparable population have Regional Parliaments



Source: Russian National Census, 2010²

Northern Ontario is an anomaly within Canada as well. If it were a province, it would be the third largest by area and the eighth largest by population (Table 3). Its population is over seven times that of the three northern Territories together. Its Indigenous population alone is double that of any of Canada's northern territories.

² Please see http://www.gks.ru/free_doc/new_site/perepis2010/croc/perepis_itogi1612.htm

Table 3. Area of Northern Ontario Compared to Canadian Provinces

Province	Population 2006	Size (square km)
Quebec	7,903,001	1,356,128
British Columbia	4,400,057	925,186
Ontario	12,851,821	917,741
Northern Ontario	745,372	802,378
Alberta	3,645,257	642,317
Saskatchewan	1,033,381	591,670
Manitoba	1,208,268	553,556
Newfoundland and Labrador	514,536	373,872
Southern Ontario	12,106,449	115,363
New Brunswick	751,171	71,450
Nova Scotia	921,727	53,338
Prince Edward Island	140,204	5,660

Sources: Statistics Canada, 2011 census and Statistics Canada, "Land and freshwater area, by province and territory," 2005.

By comparison, tiny Prince Edward Island with 18.8% of the population and 0.7 % of the area of Northern Ontario, has a 27 person legislative assembly equivalent to Ontario's, its own bureau of statistics and a full complement of ministries.

A Very Different Region

Northern Ontario is quite simply not part of Southern Ontario geologically, biologically, economically, or in terms of culture.

Geologically Distinct

Northern Ontario lies on the Precambrian shield. The shield is a vast craton made up of the oldest rocks in North America. It is the nucleus of the continent, covering 1.9 million square miles, nearly half of Canada's total area. Glaciation removed kilometres of rock, exposing deeper, mineral-bearing zones. As a result, it is the source of more than half of Canada's metals - over \$68 billion annually, almost all of which is exported.³ Northern Ontario has been shaped by its geological wealth: mining is still at the core of the economy and the culture of Northern Ontario.

A Distinct Ecology

Most of Northern Ontario is in the Boreal-shield eco-zone. The boreal or "northern" forest is the world's

largest terrestrial eco-zone. It also occupies 35% of the total Canadian land area and 77% of Canada's total forest land.⁴

The Boreal Shield is Canada's largest ecozone, covering almost 20% of its land mass, containing 43% of its commercial forestland. Northern Ontario shares the Boreal Shield with northern Quebec, Manitoba and Saskatchewan and with Newfoundland and Labrador. It supports a forest economy distinct from southern Ontario, supplying most of Canada's forest products, and providing invaluable ecological services to the entire world, including carbon capture, water purification, and wildlife habitat.

Like the geology of the region, the biology of the North has also shaped the culture and the economy.

A Distinct Economy

The basic industries of Northern Ontario are forestry and mining. That alone makes the economy fundamentally different from that of the south. Northern Ontario is a resource based economy, while Southern Ontario is modern industrial economy rapidly transitioning to the information age. Northern Ontario's economy is still "land based," while Southern Ontario's is urban, and based on human capital.

Northern Ontario is also a 'client' economy, dominated

³ Natural Resources Canada Information Bulletin July 2014, <http://www.nrcan.gc.ca/mining-materials/publications/16466> Accessed January 2016.

⁴ The original source was. Natural Resources Canada. 2004. Boreal Forest. The Atlas of Canada. Natural Resources Canada (http://atlas.nrcan.gc.ca/site/english/learningresources/theme_modules/borealforest/index.html). The values are reproduced at Regional Aquatics Monitoring Program, of Alberta. <http://www.ramp-alberta.org/river/boreal/distribution.aspx>. Accessed January 2016. Note that the Canadian Encyclopedia. <http://www.thecanadianencyclopedia.ca/en/article/boreal-forest/> says that the boreal forest accounts for 55% of Canada's land area.

by the employees of big companies and big government based outside the region. Because of the industrial structure of the region, 40.5% of northern employees are unionized, compared to 28.5% of employees in the province.

A Distinct Population Mix and History

The mix of ethnic backgrounds in Northern Ontario is very different from the mix in the south. Almost half of Ontario's Francophones are concentrated in the Northeast of the province, where they make up 21.8% of the population (Statistics Canada, 2015). In the south, only 3% of the population declared their mother tongue was French or English and French (Statistics Canada, 2015). Thirty-three per cent of Ontario's aboriginal population lives in Northern Ontario, roughly 40,000 in the Northwest and 60,000 in the Northeast (Statistics Canada, 2015b).

Almost 5 per cent of the Ontario population has moved into a new home in the previous year. Only 2 percent of Northern Ontarians move each year. The average Northerner's neighbour is more likely to have been born in Canada than the average Southerner's (Statistics Canada, 2015b), and more likely to be a neighbour ten years from now. Despite the diverse origins of the settlers of Northern Ontario, the region is now a more cohesive society than much of the rest of Canada. Northerners increasingly have a shared history. Northerners are also older on average than Southerners (Statistics Canada, 2015a), largely because the young have tended to leave and the old to stay.

Southern Ontario is growing away from the north culturally as well as in its experience with growth and expectations about the future. Newcomers to Upper Canada are mostly immigrants to Canada who know

little about Toronto and nothing about Northern Ontario.

A Depressed Region

Population figures tell us that the North is on a path that seems to go nowhere. The population has been static or declining for 40 years.

Economically, as a part of Ontario, Northern Ontario is performing worse than any comparable area of Canada. Not only has employment declined, but average employment income and average family income has declined relative to Ontario as a whole. Segsworth reports that in 13 of 14 economic indicators, the region fared worse than the province as a whole from 1981 to 2006 (Segsworth, 2013). Segsworth concludes that the indicators suggest that the federal and Ontario governments are pursuing the wrong policies and/or correct policies are not being supported and/or correct policies are being badly implemented.

The North as Colony

Northern Ontario can be best understood as an internal colony of the Province of Ontario. Although it is clearly distinct from the southern part of the province (Figure 3) and although it is larger than many countries - there are more than 30 countries in the UN with smaller populations and 155 with less land (Population Division, 2015; The World Bank, 2015). The region lacks any genuine autonomy, is governed from outside, and the benefits of its resource wealth have been applied to benefit the governing region. Like other colonies, Northern Ontario became part of Ontario during the heyday of European imperialism.

Q3 Do you believe that the main issues and problems facing Northern Ontario, being dealt with by provincial governments, are significantly different from issues and problems in Southern Ontario?

Figure 5. Is Northern Ontario Different from Southern Ontario?

Response	Percent
yes	67.2
no	27.1
don't know	5.7
Total	100

Source: Oraclepoll Research, April 2014.

Three things make Northern Ontario unusual among the colonies of the world. First, it was a colony of a colony – since Upper Canada was itself a colony of Britain. Second, it is an internal colony, because the boundaries of Ontario were stretched to include the region. Finally, it is unusual because almost every other colony in the world has moved toward independence or self-government.

It is also governed in a way that is strongly reminiscent of European colonial practice in Africa. Despite its size there is nothing resembling a legislative body. Property relations are different than in the governing region: in Southern Ontario land is almost entirely owned privately; in Northern Ontario, land is almost entirely owned by the public (more than 95% of whom live in the South). Northern municipalities have more limited power to tax local industries than do southern municipalities. Northern Ontario is even organized on a different model than the south, split into districts in contrast to the county structure in the south.

With fewer than 800,000 people, Northern Ontario is divided into 10 districts, 144 municipalities, two Local Health Integration Networks, over 100 recognized First Nations communities, and sixteen unorganized areas, including 46 Local Services Boards, and 42 of Ontario's 47 Sustainable Forest Licenses (2012).⁵ Areas with citizen government comprise perhaps 10% of the region. Having so many overlapping jurisdictions with so little real power ensures that there can be little local governance.

Funding decisions for economic development are made by the appointed board of the Northern Ontario Heritage Fund Corporation and by FedNor, a federal agency. Both agencies have done some good, but they create what publisher Michael Atkins has called "Piñata politics," in which citizens beg for money for

public projects from an appointed board or from a set of bureaucrats (Atkins, 2010). This is another feature that resembles traditional colonial economies.

An Undemocratic Region

The origins of western democracy are associated with growing control of taxation and government expenditures. Northern Ontario has no control of either taxation or expenditures within its non-existent boundaries.

Democracy matters to development. Adam Smith explained back in 1776 that the colonies that progressed most quickly were those that "were at liberty to manage their own affairs (Smith, 1776)." It is a simple fact that self-governing regions have developed faster than colonies. Self-governing regions tend to tax themselves less and to spend more effectively.

Furthermore, when the people of a region have no control over taxation or spending they simply do not devote precious attention to the problems of development for their region. The current structure creates a culture of political ignorance and indifference in Northern Ontario, helping to ensure that the region continues to enjoy ineffective governance.

How did the area come to be part of Ontario?

Northern Ontario presents a strange case within Canada and Ontario. It is a historical accident that it is not a province like the comparable areas that became Manitoba, Saskatchewan and Alberta. The area under the Robinson-Huron and Robinson-Superior treaties, south of the watershed, was included in the British jurisdiction called "Canada" because it was part of the

⁵ Districts are regional areas in Northern Ontario that do not serve any municipal government purpose. Although districts do still contain incorporated cities, towns and townships, they do not have an upper-tier county or regional municipality level of government, and are largely composed of unorganized areas. Please see the 2011 census from Statistics Canada and the following sources from the Ontario government https://files.ontario.ca/pictures/firstnations_map.jpg <http://nohfc.ca/en/about-us/northern-ontario-districts>

fur trade route that extended from Montreal, up the Mattawa River, down the French River, through Georgian Bay and Lake Superior to Lake of the Woods via the Pigeon River and the Rainy River.

From the point of view of Britain, this piece of land was part of "Canada," with its population centered in what is now Quebec. Everything to the North belonged to the Hudson's Bay Company. There were only two significant regions in Canada, one occupied predominantly by the French and the other occupied predominantly by more recent English settlers. The region north of the English settlements and south of the watershed fell naturally into "Upper Canada." Upper Canada consolidated its claim before Confederation when it arranged the Robinson-Huron and Robinson-Superior treaties in the region in 1850.

North of the watershed was part of Rupert's Land. Rupert's Land was sold to Canada in 1869 and then partitioned into the existing western provinces and territories (Francis et al., 2012). The region was allocated to Ontario because it was claimed to be "empty" territory and there was no one else recognized by the Crown to claim it. Treaties were negotiated with the population of the North to provide some legal cover for the expropriation.

Could it have become a province?

Today, Northern Ontario has the area, the resources and the population to be a province of Canada. Before Confederation, however, Northern Ontario was little more than a blank space on the map of British territories. No one stood for the region called Northern Ontario, just as no one stood for the Northwest Territories.

The basic historical argument against Northern Ontario as a province, therefore, is that the people of Northern Ontario had to be at the table when the pie was being divided. Since the people of Northern Ontario had no status at the time, Northern Ontario could not have become a province.

The same argument apparently does not hold for the areas that became the Northwest Territories, the Yukon and Nunavut.

What would be different if Northern Ontario had become a province?

Had Northern Ontario become a province, resource revenues would have flowed to the provincial capital, which would probably have been Sault Ste. Marie. As the capital city, the Sault would have had the parliamentary buildings, the North's forestry school, its mining engineering program, its geology program and its Geological Survey. It would have had the land registry offices. There would have probably been a stock market for mining developments. The Sault would have had a university by early in the twentieth century as every other province did. It certainly would not have waited 60 years more to establish local universities. There would have been graduate programs and a medical school by the 1940s at the latest.

The Sault, and Northern Ontario, would have retained much of the business and most of the resource rents that flowed to Southern Ontario. The North would have been more populous and richer than it is today. It would have been at least as populous as Manitoba, Saskatchewan or Alberta by the mid-20th century. As Matt Bray and Ernie Epp note,

"Once politically incorporated into a provincial unit, the northern districts found themselves virtually powerless, lacking the political and economic authority to influence or control their destiny ... As a consequence, the Provincial Norths have been developed with little system or view to the future (Bray and Epp, 1984)."

One intriguing implication of this *gedankenexperiment* (thought experiment) is that Toronto would never have become the world centre for financing exploration and mining. Montreal might have.

There are other differences that flow from provincial status. The transportation network would have fanned

out from the Sault. When the transcontinental railroad was built it would have run closer to the Sault. With the discovery of the Ring of Fire deposits, a northern province would in all likelihood have begun planning a stainless steel operation at the Sault using nickel from Sudbury and chromium from the north-west.

This counterfactual story is useful when we attempt to evaluate the level of mineral-based development in Northern Ontario. It is virtually inconceivable that the region would still be so heavily dependent on resource extraction if it were a province. Northern Ontario is less developed economically and socially as a result of its status as a region of the Province of Ontario, and, in turn, Southern Ontario is more developed as a result of the relationship.

Is it economically possible for Northern Ontario to be a province today?

This is, in my view, a complete red herring.

A 2004 Fraser Institute study "Share the Wealth: Who Pays for Government Across Ontario?" calculated that the "net tax burden", or difference between tax revenue and government expenditures, for the regions of Ontario. The study concluded that the net tax burden was zero for northern districts and there was no net transfer into the region (Mullins, 2004). Considering only the Northwest, Livio Di Matteo, J.C.H. Emery and R. English concluded that "a province of northwestern Ontario would be as viable economically as Saskatchewan, Manitoba or any of the Atlantic provinces," and that "the economic evidence supporting provincial status is for the most part ambiguous, with no overwhelming case either for or against (Di Matteo, Emery, and English, 2006)." The Northeast has a larger population and higher densities, is closer to markets, and has been stronger economically than the Northwest.

It is possible to argue that for Northern Ontario as a province, revenues might slightly exceed or fall short of expenditures by a small amount. The difference is highly unlikely to be large compared to the differences between current provinces.

More generally, it is very difficult to see why Northern Ontario would not be economically viable. Historically the region contributed disproportionately to the provincial revenue. Demand for metals and for wood is expected to grow (Backman, 2008; Carle & Holmgren, 2008) - the terms of trade are moving in favour of the region. Unlike the northern territories, Northern Ontario has a strong (although not growing) export economy.

⁶ Section 38 applies. It requires resolutions of the Senate and House of Commons and of the legislative assemblies of at least two-thirds of the provinces that have, in the aggregate, according to the then latest general census, at least fifty per cent of the population of all the provinces.

⁷ For the Federal commitment to devolution see various Government of Canada website, including the Northwest Territories Government website, or the Northwest Territories Devolution act, which states in Section 25. (1), interestingly, that "Nothing in subsection 18(1) or section 19 must be construed as giving the Legislature greater powers than are given to legislatures of provinces under sections 92, 92A and 95 of the Constitution Act, 1867." <https://www.aadnc-aandc.gc.ca/eng/1352398433161/1352400493640/>

As a province, Northern Ontario would receive its population share of the main sources of government revenue, the sales tax and the income tax. It would certainly capture the bulk of the relatively small revenues that the province now gets from forestry and mining. It would also increase the share of spending on government services and education that now go to Queen's Park. If self-governance improved economic management even slightly, provincial status would result in net gains.

Is it politically possible for Northern Ontario to be a province today?

This is a question that has an easy answer. No. There are constitutional barriers in the short run.⁶ It is possible in the long run, however. Furthermore, the process of creating new provinces is underway in the northern territories of Canada.

Devolution is the statutory granting of powers from the central government of a sovereign state to government at a subnational level, such as a regional, local, or state level. It is a form of decentralization. Devolved territories have the power to make legislation relevant to the area.

Devolution is already a key pillar of Canada's Northern Strategy at the federal level. Three northern territories, Yukon, Nunavut and the NWT have been granted what are essentially provincial powers by the federal government.⁷ The territories have not been and cannot be granted provincial status unilaterally by the federal government because that requires a constitutional amendment. It is important to note that Nunavut, for example, has a population of less than 30,000 people, less than one twentieth of the population of Northern Ontario, and less, even, than the population of Timmins.

It is likely that provincial status for the territories will come eventually. Since Northern Ontario is a part of an existing province the process towards provincial status would require two steps. The first would involve devolution within the Province of Ontario. Ontario would have to create a government in the north of the province and hand over some of its powers. Once that process was largely complete, Ontario would have to petition the parliament of Canada to recognize the new province it had created.

This is where we find the main political barrier to provincial status. The majority of the people of Ontario would probably be reluctant to give up control of Northern Ontario as a possession, even if it could be shown to be better for the province or the region.

Would it be desirable for Northern Ontario to be a province today?

A better version of the question is “Would it be it desirable for Northern Ontario to become a province once it has developed the necessary institutional structures and capacities?”

The answer depends on the prior question, “Is devolution of provincial powers to a regional jurisdiction possible and desirable?” Given the huge variety of administrative structures and jurisdictional sizes in Canada and around the world and the powers of the province, it is pretty obvious that devolution is possible. The question that remains is whether devolution is desirable.

Alternatives between provincial status and the colonial present

There are several alternatives to creating a new province entirely within the power of the provincial legislature today.

1. Northern Ontario could be granted legislative powers through an act like the 2006 City of Toronto Act which states

The purpose of this Act is to create a framework of broad powers for the City which balances the interests of the Province and the City and which recognizes that the City must be able to do the following things in order to provide good government:

1. Determine what is in the public interest for the City.
2. Respond to the needs of the City.
3. Determine the appropriate structure for governing the City.
4. Ensure that the City is accountable to the public and that the process for making decisions is transparent.
5. Determine the appropriate mechanisms for delivering municipal services in the City.
6. Determine the appropriate levels of municipal spending and municipal taxation for the City.
7. Use fiscal tools to support the activities of the City. (City of Toronto Act, 2006)

Such an act would have to create a representative regional assembly, perhaps representative coming from existing municipal bodies, with specific but limited sub-provincial powers.

2. The province could create an elected but advisory Northern Ontario assembly and charge it with providing advice to the legislature on all matters relating to Northern Ontario.

3. The province should create a semi-autonomous district with most of the powers of a province, reorganizing itself as a kind of sub-federation, and ceding any decision that affects only the North to the Northern Regional government. This approach might be applied across the province, creating district governments for other distinct sections of the province. These districts would all be comparable to other provinces in Canada. If the GTA were self-governing, as many have argued it should be, it would be the second largest jurisdiction in Canada, after Quebec (Lu, 2010; Stinson, 2014).

Any of these alternatives would solve some of the problems described above and might eventually lead to the creation of one or more new provinces.

Is devolution desirable?

That question requires us to consider two classic issues in political science: jurisdiction size and subsidiarity. There are economies of scale in producing some goods for the public. Running an income tax system has a high setup cost and low marginal cost, making it more efficient to collect income taxes federally, as we do in Canada. The question of size comes down to whether Northern Ontario is too small to form an effective jurisdiction.

Subsidiarity is the principle that problems should be dealt with at the most immediate (or local) level consistent with their solution. Subsidiarity rest in part on questions of appropriate scale and in part on the principle that people should be able to decide for themselves on matters that do not affect others. The question of subsidiarity comes down to the question of whether there are important issues currently dealt with at the Provincial level that are best decided at the regional level.

Is size really an issue?

This question actually has two parts.

The size of the South

Clearly even without Northern Ontario, the Province of Ontario would still be the most populous province in Canada. Devolution would have no significant effect on the efficiency or the viability of the Province.

Southern Ontario might even be better off because it could focus on building on what it already is – part of a megalopolis 1,100 km long, and 100 km wide stretching from Windsor to Quebec that is one of the most successful and richest regions in the world. The Windsor-Quebec corridor was the most valuable remnant of

British North America after the American Revolution. It is now home to 56% of the people of Canada and it is the heart of modern Canada (Statistics Canada, 2015a). Arguably Canada's greatest failure is its inability to plan and develop this core region effectively. The North is little more than a distraction for 95% of Ontario. Seceding from the North might help the South discover what it is.

The size question, therefore, only concerns whether Northern Ontario is too small to have an efficient and effective government.

The size of the North

Canadian practice suggests that Northern Ontario is large enough to be a province: there are currently four provinces with populations under a million in Canada, and two more with populations barely over a million. There is a province with the population of a small city – Prince Edward Island has fewer people than the City of Greater Sudbury and less than twice the area. Only Quebec has a larger population than the GTA. If Northern Ontario has too small a population to form a viable province then several existing Canadian provinces are probably not viable and devolution to the territories is simply a bad idea.

The empirical literature does not provide very much practical guidance about the best size for countries, provinces or regional governments. In theory, however, the size of a jurisdiction should balance economies of scale against economies of difference. There are local needs and conditions that require local solutions. For example, there may be ethnic and language issues that matter in some regions and not in others. The more heterogeneous a country or region is, the more costly it is to govern and the harder it is for very large jurisdictions to implement policies that take advantage or deal with special features of its diverse parts. From this point of view the questions about size cannot be answered without first specifying how the powers of the state are divided among the levels.

Does difference make a difference?

There is no question that Northern Ontario is different from the south and that these differences suggest that policies for the north should differ in some respect from policies for the south. Are the differences large enough that the governance structure should be distinct from that of Southern Ontario?

In fact Northern Ontario is already governed differently from Southern Ontario. Unlike the counties and regional municipalities of Southern Ontario, which have a government and administrative structure and

jurisdiction over specified government services, the northern districts lack that level of administration. They are territorial boundaries that do not serve any municipal government purpose. A county government in Southern Ontario is a federation of the local municipalities within its boundaries. Counties are referred to as “upper tier” municipalities. Local municipalities (cities, towns, villages, townships) within counties provide the majority of municipal services to their residents. The services provided by county governments include arterial roads, health and social services and county land use planning.⁸ Districts do not collect property taxes that would enable them to pay for services usually provided by counties and many services are provided directly by the provincial government. For example, districts have provincially maintained secondary highways instead of county roads. The single-tier municipality of Greater Sudbury — which is not politically part of the District of Sudbury — is the only census division in Northern Ontario where county-level services are offered by the local government rather than the province.

Northern communities have differently defined tax bases than southern communities. Since all industry is within counties in Southern Ontario, property taxes accrue to the municipalities. In Northern Ontario, regional industries may be in unorganized territory and cannot be taxed by municipalities. A large fraction of forestry industry property, for example, is outside of municipal boundaries and cannot be taxed by communities despite the fact that the communities service the industry labour force. Tax treatment of mining is especially significant for Northern Ontario. Buildings, plant and machinery under mineral lands, are exempt from municipal assessment and therefore taxation (Advisory Committee on Municipal Revenue, 2008).⁹ In contrast, underground pipelines are assessable and taxed at a regulated taxation rate.

These observations show that there is and has always been at least enough difference to warrant a distinct governance structure from that of Southern Ontario and that the region is already governed in a manner different from Southern Ontario. Since the province does govern Northern Ontario in a manner that differs from the south, the real question is whether Northerners should have greater influence on the distinctive governance of Northern Ontario.

A variety of other evidence suggests that a smaller, full time government by the people of Northern Ontario would do a better job than part-time government dominated by the urban industrial south. The most obvious demonstration comes from the Province's handling of the ‘Ring of Fire.’ Geologists have expected large-scale development in the Northwest for many

⁸ Association of Ontario Municipalities. <https://www.amo.on.ca/AMO-Content/Municipal-101/Ontario-Municipalities.aspx>

⁹ Other provinces with significant mining activity permit some degree of municipal assessment and taxation of underground facilities.

decades. Despite warnings, the discovery of a group of deposits large enough to justify a transportation link caught provincial legislators and planners by surprise. It is difficult to imagine that the "Province of Northern Ontario," had it existed, would not have had plans earlier and would not have worked to settle aboriginal issues sooner. It is hard to imagine even a regional government failing to develop transportation plans.

Anthony Downs, author of *An Economic Theory of Democracy*, has argued that an electorate is chronically ignorant in general of the cost and benefit of many potential government policies. When citizens are ill-informed of benefits of a project they are likely to undervalue the project, making it less likely that the project will be undertaken (Downs, 1960).¹⁰ The problem is magnified for issues that apply to a few people in a remote region, especially if the remote region appears in the popular imagination primarily through out-of-date stereotypes and the early twentieth century landscape art of the Group of Seven. Since most of the electorate is in the South, its ignorance of costs and benefits in the North will be relatively larger and its concern for benefits delivered in the north is likely to be relatively smaller. As a result, Provincial investment in Northern Ontario is likely to be at less than efficient levels.¹¹ The "rational ignorance" of the southern voter, to use Downs' term, will deepen as the population of the south grows and the population of the north continues to stagnate. Immigration will further dilute Northern Ontario's influence at Queen's Park as a smaller fraction of the population has historical links with the North. The North's elected representatives will have less influence as population grows, and decisions about Northern Ontario will increasingly be made by the professional bureaucracy of the Province.¹²

Conclusion

The question that requires further consideration is whether Northerners should press for provincial status or for the status of a semi-autonomous region within Ontario, or for devolution of specific power to a democratically elected regional government. The alternative for Northerners is to continue to accept the current arrangement and accept declining influence over their own future.

The argument presented here suggests that there are no real serious technical, economic or legal objections to beginning a process of devolution. It is clearly within the power of the province, and is likely to improve governance of the North and make at least the North more democratic. Furthermore, a strong case can be made that there would be significant economic advantages from devolution of powers in some form to Northern Ontario.

Northerners, however, lack the democratic institutions to debate the issue and Southerners have no interest in the project. Clearly if change is needed, it will require a long struggle, first to convince a sufficiently large number of Northerners, then to convince the South.

¹⁰ Downs' model is simple: "all proposed expenditures are arranged in descending order of their vote-gain potential, and all proposed revenue collections arranged in ascending order of their vote-loss potential." Only projects that generate more votes than they costs are undertaken.

¹¹ We saw exactly this process at work in the 2014 provincial election where the discussion was quite appropriately dominated by issues of interest to southern voters. The one issue mentioned on occasion was the 'Ring of Fire', which appears to southern voters as a revenue source – for the South, as the Ontario Chamber of Commerce study emphasized.

¹² Northern Ontario is currently over-represented in the legislature. Electoral reform must eventually increase the number of southern seats, reducing the already small share representing the North.

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