

Regional Overview of the Heart of the Continent: History, Economics, and Future Trends

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October 24, 2011

Heart of the Continent Partnership International Community
Congress, Thunder Bay, Ontario



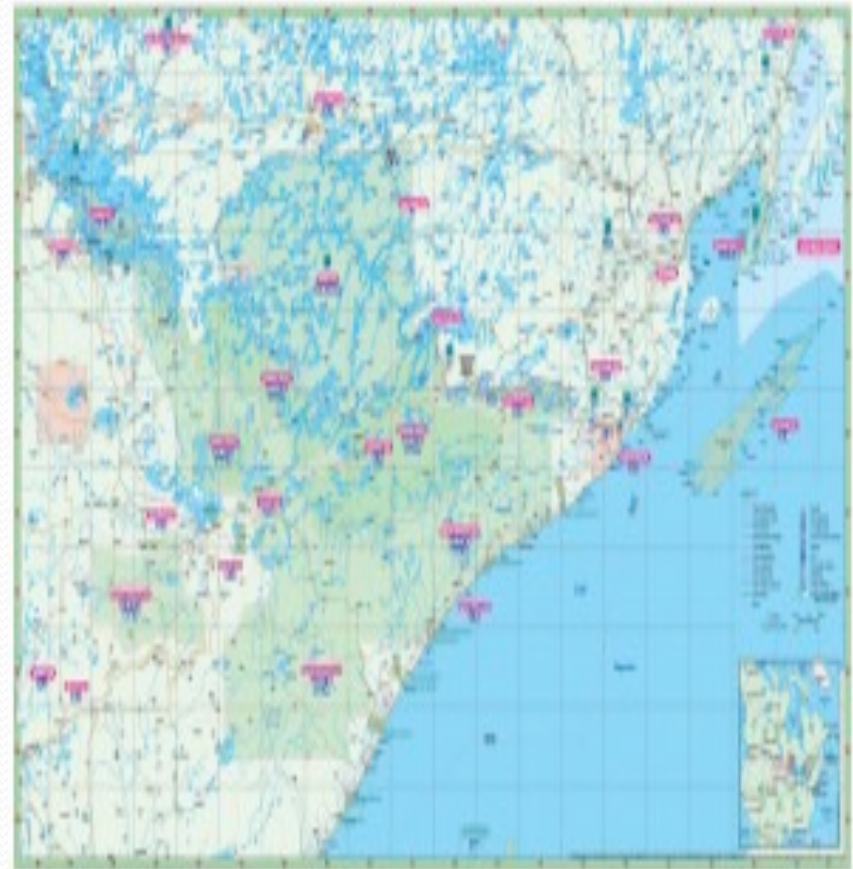
Outline

- Two Nations: One Region
- A Common History
- Economic Structure & Performance
- Future Trends
- Roles for Tourism and Recreation

Two Nations: One Region

Heart of the Continent Region

- Heart of Continent ecosystem straddles border
- Spans international border between northeastern Minnesota and northwestern Ontario
- Linked by Quetico Provincial Park, Superior National Forest & Kabetogama State Forest/ Voyageurs National Park





Borders and Regions

- Heart of Continent marked by a border.
- Borders as zones of contact, diversity and bridges to opportunity
- Networked cross-border regions
- Canada-U.S. border marks off two geographic population distributions
- Larger regional population a source of opportunity
- Heart of Continent part of a larger region

Strategic Location

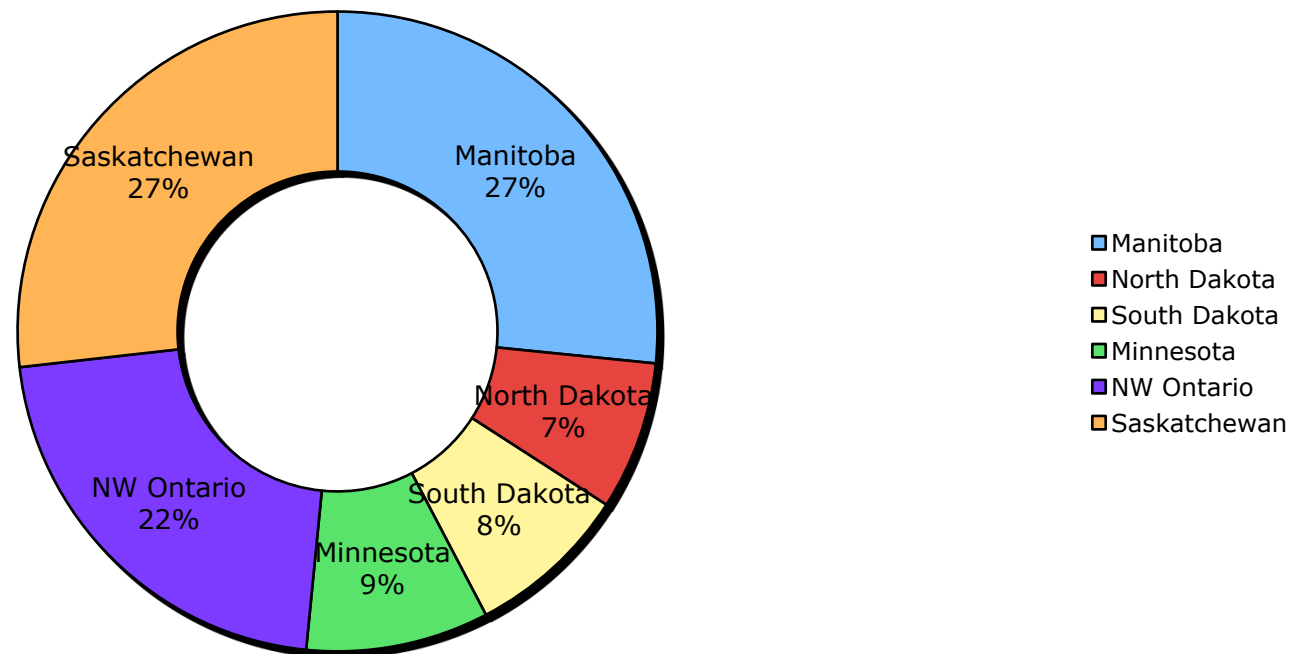


HOC is Part of a Larger International Region

- Minnesota (pop: 5.2 million/real GDP: 270 billion dollars in 2010)
- North Dakota (pop: 0.65 million/ real GDP: 34.7 billion dollars in 2010)
- South Dakota (pop: 0.81 million/ 39.9 billion dollars in 2010)
- NW Ontario (pop: 0.23 million/GDP 7-10 billion dollars)
- Manitoba (pop: 1.1 million/GDP 51 billion dollars in 2009)
- Saskatchewan (pop: 1.1 million/GDP 57 billion dollars in 2009)

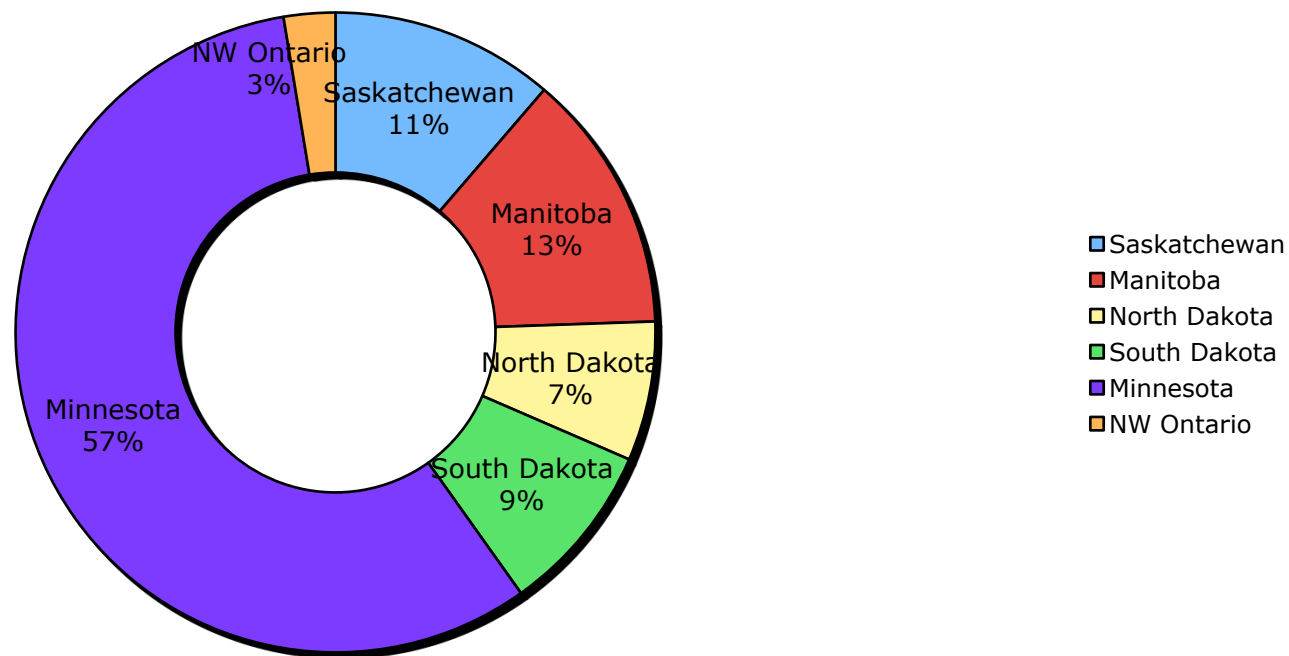
Area

Distribution of Land Area for Broader HOC Region
Total Area: 2.4 million sq km



Population

Population Distribution for Broader HOC Region
Total Population: 9 million



A Common History



NW Ontario and Minnesota

- Common Historical Themes
 - natural resources
 - transportation
 - aboriginal communities
 - regions of recent European settlement
 - penetration from east
 - regional alienation

Common Fur Trade Heritage

- The Northwest Company of Montreal
- Region an important trade route
- Grand Portage
- Fort William



Twin Lakehead Port Cities



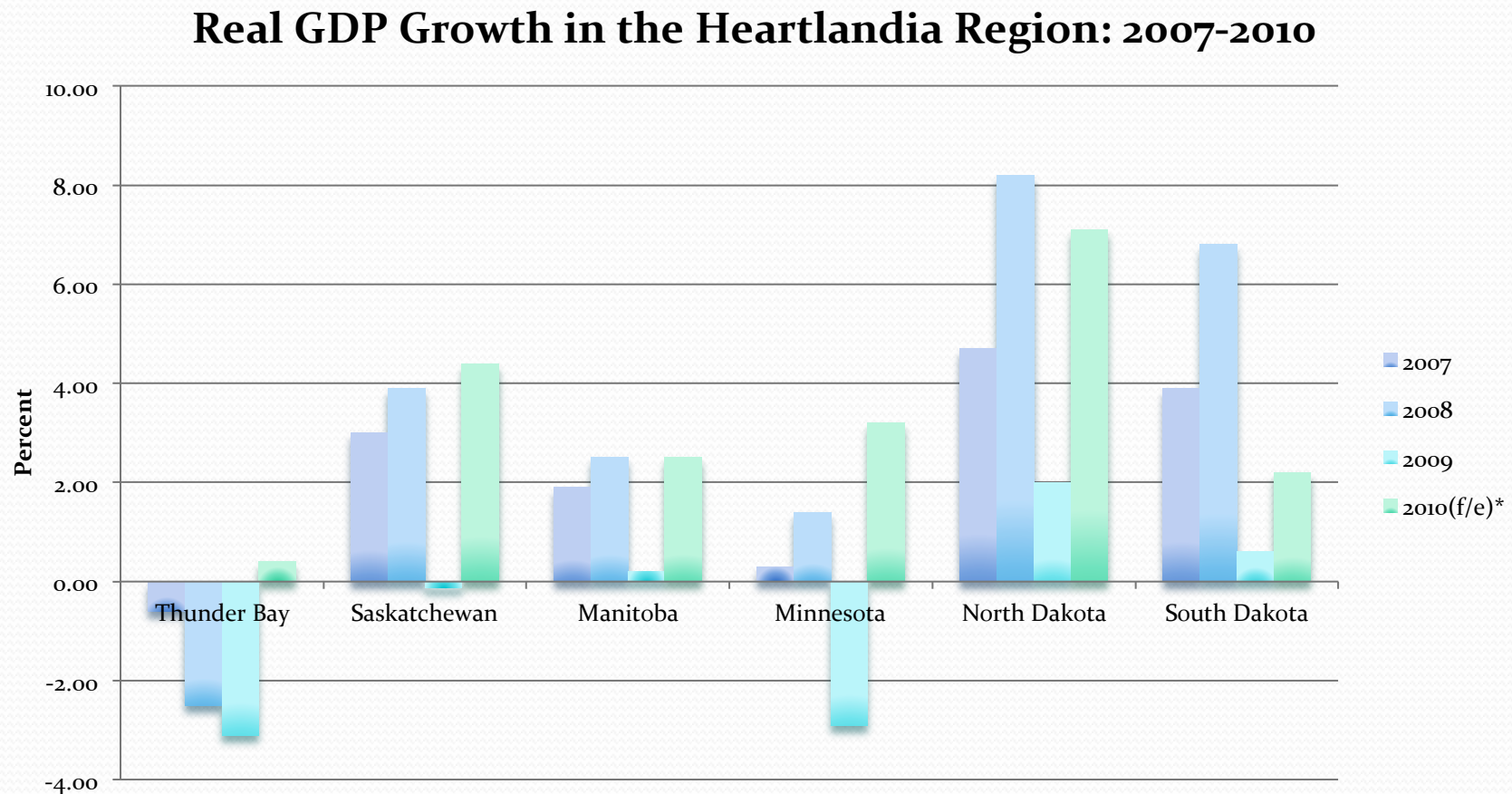
Economic Structure and Performance



Summary

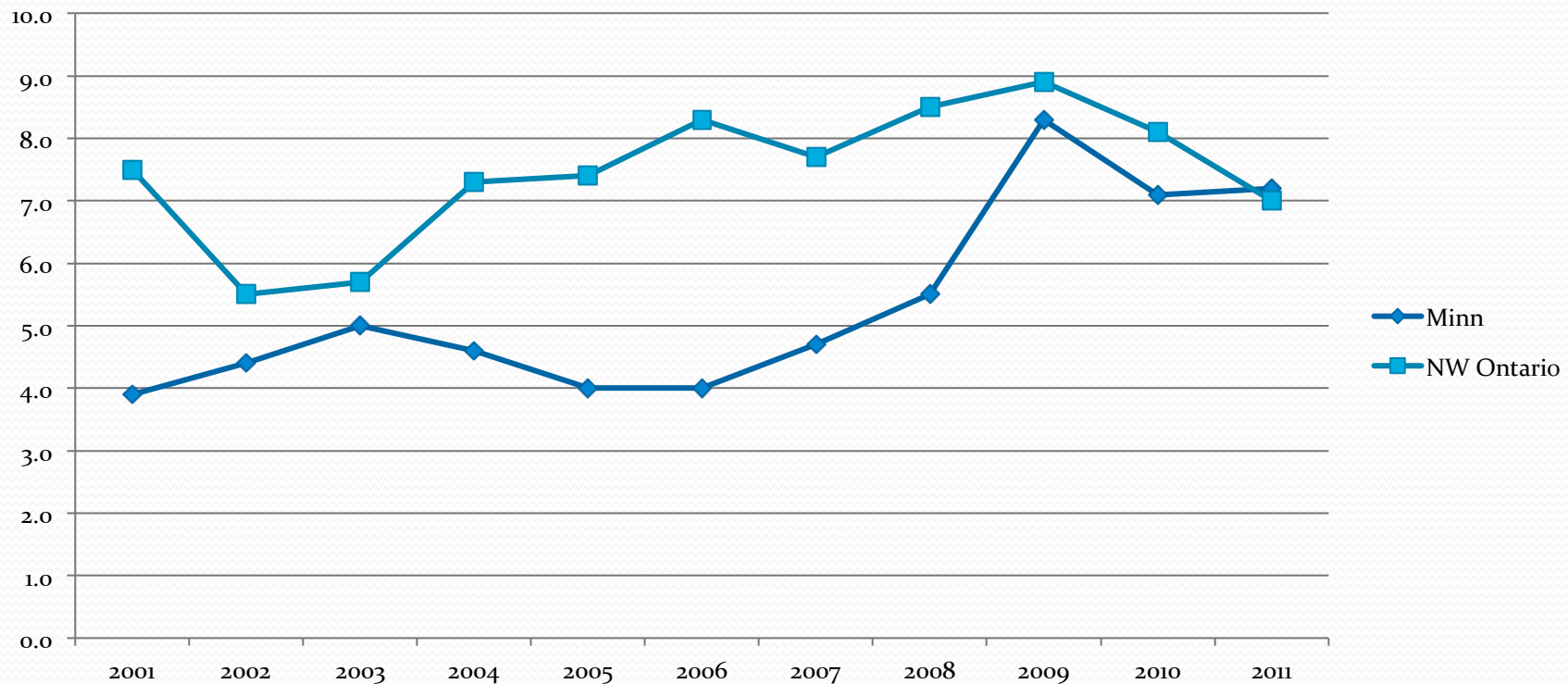
- Minnesota hit by Great Recession in 2009
- NW Ontario hit by forest sector crisis from 2003 to 2009
- Recovery for both regions has been slow

Recent Economic Performance in Heartlandia: 2007-2010* (Source: BEA/Statistics Canada/Conference Board)



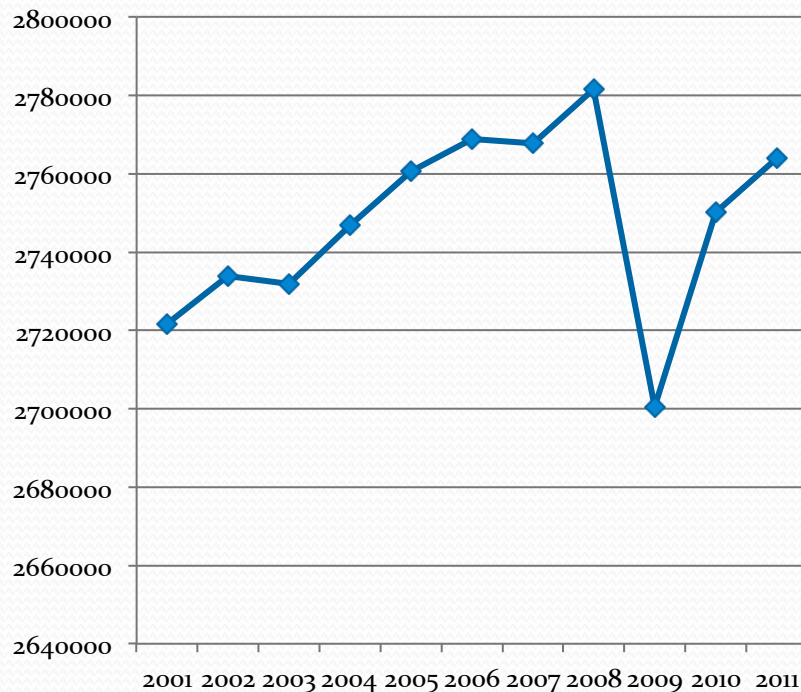
Unemployment Rates

August Unemployment Rates (%): 2001-2011, Minnesota & Northwestern Ontario (Source: BLS, Statistics Canada)

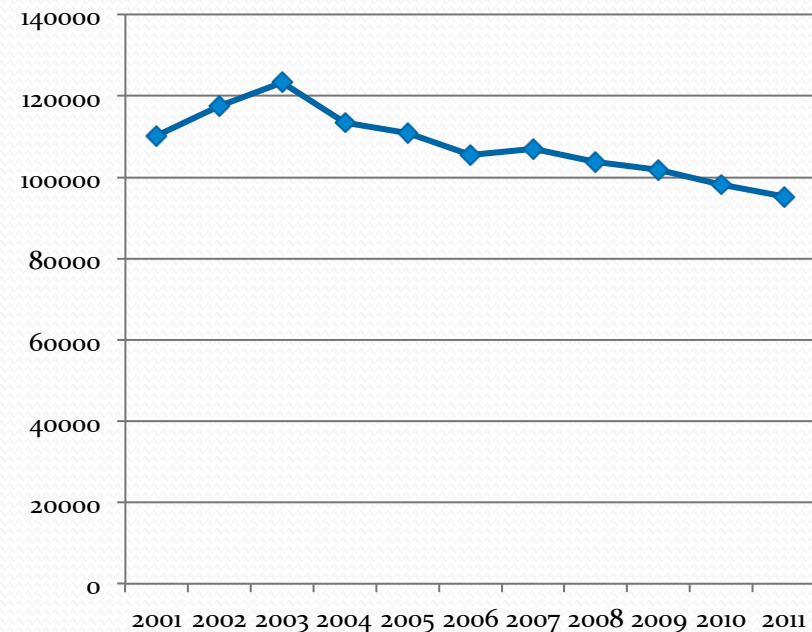


Employment

**Employment Levels in
Minnesota, 2001-2011**
(Source: BLS)



**Employment Levels in
Northwestern Ontario,
2001-2011 (Source: Statistics
Canada)**



Comparing Employment Structure

Employment Composition: Northwestern Ontario and Minnesota (Source: BLS & Census of Canada)





Economic Comparison

- Minnesota
 - Rich in natural resources (and agriculture) but with a diversified economy in knowledge sector activities, manufacturing, government, health and education
- Northwest Ontario
 - A natural resource intensive region with transportation and government sector activity.
 - Not as well diversified as Minnesota



Thunder Bay & NW Ontario

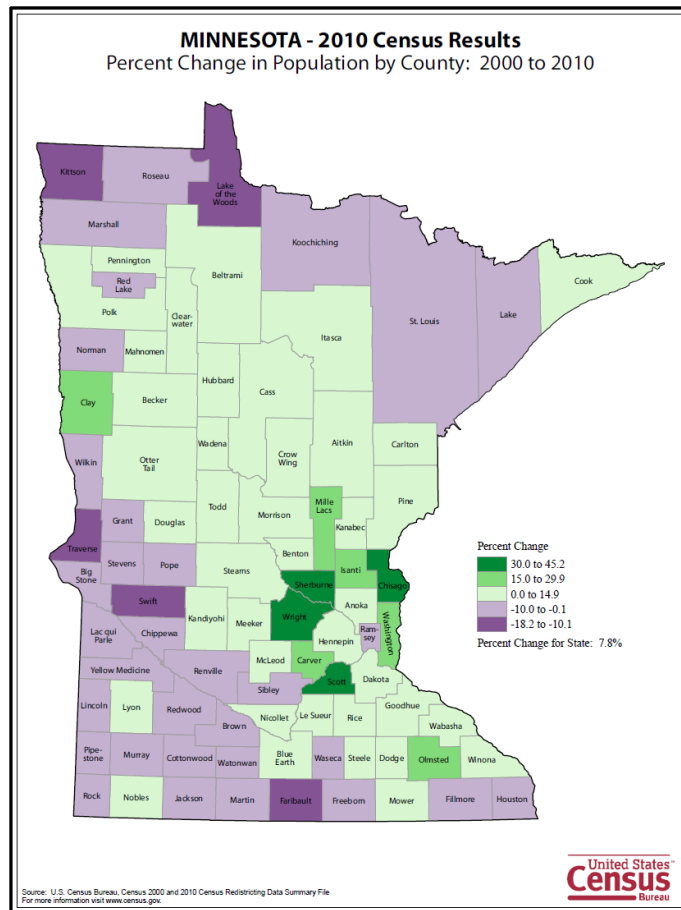
- An economy still recovering from extraordinary shocks.
- Thunder Bay doing better than Northwest
- Real GDP Growth for Thunder Bay in 2010 at 0.4%: first increase since 2005 (Source: Conference Board)
- Past years: -3.1 in 2009; -2.5% in 2008; -0.6% in 2007; -0.1% in 2006
- Growth in retail, health, education, research, culture, recreation and public administration employment. Mining sector promising.
- Housing sales in Thunder Bay relatively robust and unemployment rate near national average.



Minnesota

- Minnesota hit by fiscal and economic crisis.
 - 2008 financial crisis & Great Recession; combined with housing melt-down has led to a wealth shock
 - Real GDP growth: 2007: 0.3%; 2008: 1.4%; 2009: -2.9%; 2010: 3.2% (Source: BEA).
 - Ranked 11th in real GDP growth for U.S. states in 2010 (according to BEA).
- Tom Stinson, Minnesota State Economist, has the following to add:
 - Current recovery slower than in past

Minnesota Demographics

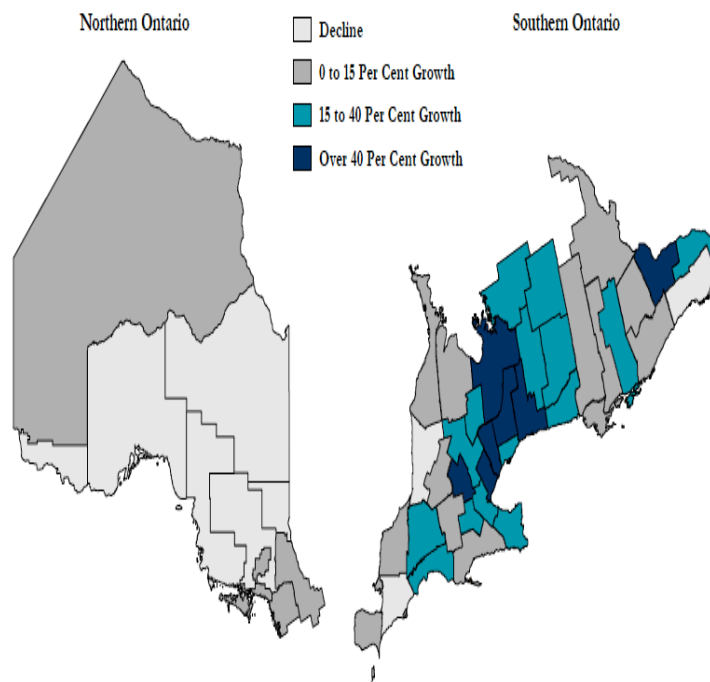


- Source: U.S. Census
- Biggest population increases clustered in the MSP region
- Northeast portion of state undergoing some population decline
- General aging of population – growth in age 50+

NW Ontario Demographics

Chart 9

Population growth/decline by census division over 2010-2036



Source: Ontario Ministry of Finance projections.

- Source: Ontario Population Projections, 2010-2036, Ministry of Finance
- Population growth in NW to be fueled by first nations
- Population aged 65+ in Thunder Bay District to reach 30%-35% by 2036
- Population in NWO expected to stay stable through to 2036

Future Trends



Anticipated Trends - I

- Aging of population – implications for consumer markets and labour force – talent will become scarce.
- Aging population will also contribute to health spending increases. Health spending projected to rise faster than government revenues.
- Government fiscal issues – both Ontario & Minnesota face public sector debt issues – will limit role of government in financing new initiatives.



Anticipated Trends-II

- Interest rates will eventually rise
- Rising importance of Indian and Chinese economies will continue
- Slow global economic recovery – will affect commodity markets and resource industries
- Knowledge sector activity growth – will continue
- Global urbanization trend
- Economic uncertainty
- Impacts of climate change

Change is the watchword

Change will generate opportunities

Tourism and Recreation

A source of regional opportunity



Regional Future

- Heart of Continent – land/resource intensive; relatively sparse population
- Endowment of wilderness and nature a key asset in a world that is becoming more urbanized
- Tourism and recreation opportunities can generate positive economic impact



Tourism's Global Impact

- According to the World Travel and Tourism Council, *Travel and Tourism Economic Impact 2011*
 - Direct contribution of travel and tourism to world GDP is expected to be 1.850 trillion dollars US in 2011 rising to 2.861 trillion by 2021
 - In 2011, travel & tourism will directly account for 2.8% of world GDP rising to 2.9% by 2021.
 - In 2011, travel and tourism directly created 99,048,000 jobs around the world or 3.4 percent of total employment.



Tourism in Northern Ontario

(Source: Industry Canada, An Overview of Tourism in Northern Ontario 2007)

- In 2007, 7.7 million tourists visited Northern Ontario and spent 1.4 billion dollars.
- 4.7 million spent at least one night in the region
- U.S. market represents about 19 percent of overnight travel to Northern Ontario – Michigan, Minnesota & Wisconsin the biggest contributors

Reasons for Visiting Northern Ontario

- Fishing, hunting, boating, camping, provincial parks, historic sites, museum, golfing, sports events, festivals/fairs
- Main drivers for U.S. visitors to Northern Ontario – hunting, fishing, nature parks



Northwestern Ontario

- In 2007 received 1.3 million overnight visits.
- Northwest accounted for 48.7 million dollars in expenditures by same-day visitors (20% of Northern Ontario) and 441.2 million dollars by overnight visitors (37% of Northern Ontario)
- Key Markets for Northwest Region by No. of Visitors: Thunder Bay CMA (145 000); Manitoba (259 000), primarily from Winnipeg CMA (210 000); Minnesota (173 000); and Wisconsin (83 000).

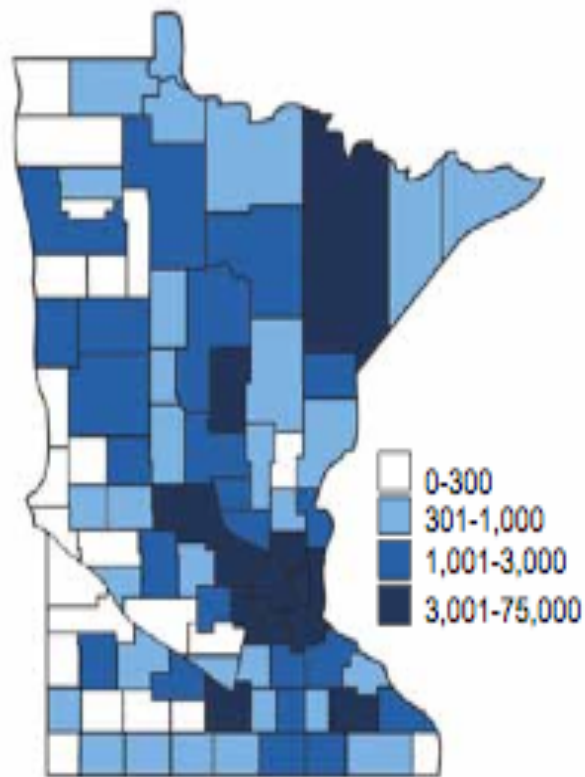


Tourism in Minnesota (Source: Explore Minnesota Annual Report 2009)

- Annual number of travelers is 39 million
- Annual leisure & hospitality gross sales of 11.2 billion dollars
- Generates 16 percent of all state sales tax revenues (694 million dollars).
- Employs 245,788 people with payroll of 4 billion dollars – 11% of all private sector employment.

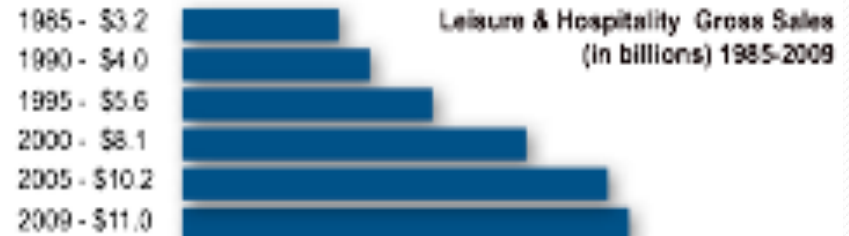
Tourism in Minnesota (Source: Explore Minnesota Tourism)

LEISURE & HOSPITALITY JOBS BY COUNTY, 2009



GROWTH IN THE TOURISM INDUSTRY

Sales at leisure and hospitality businesses grew 36% from 2000 to 2009



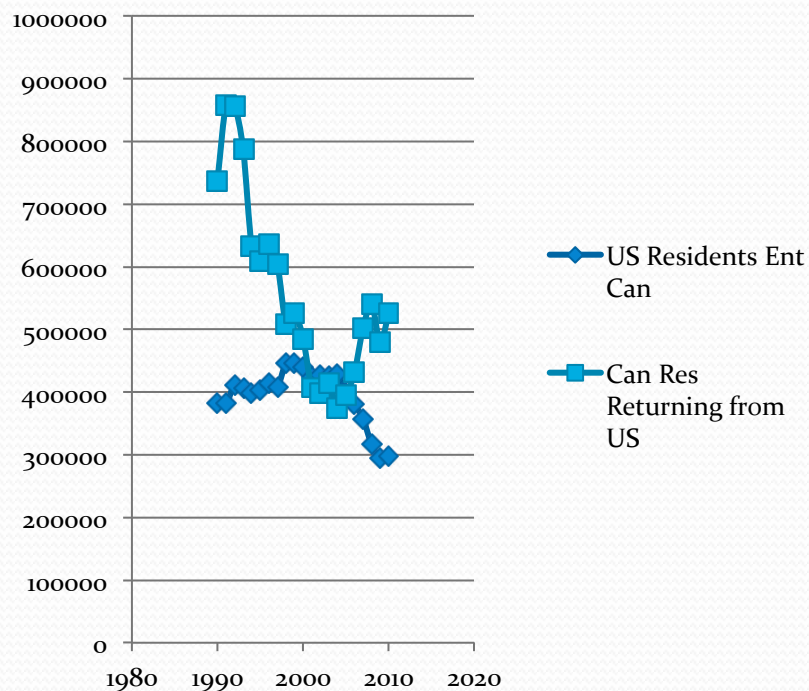
Minnesota Northcentral/West

Region (Source: David Peterson Associates, Economic Impact Study)

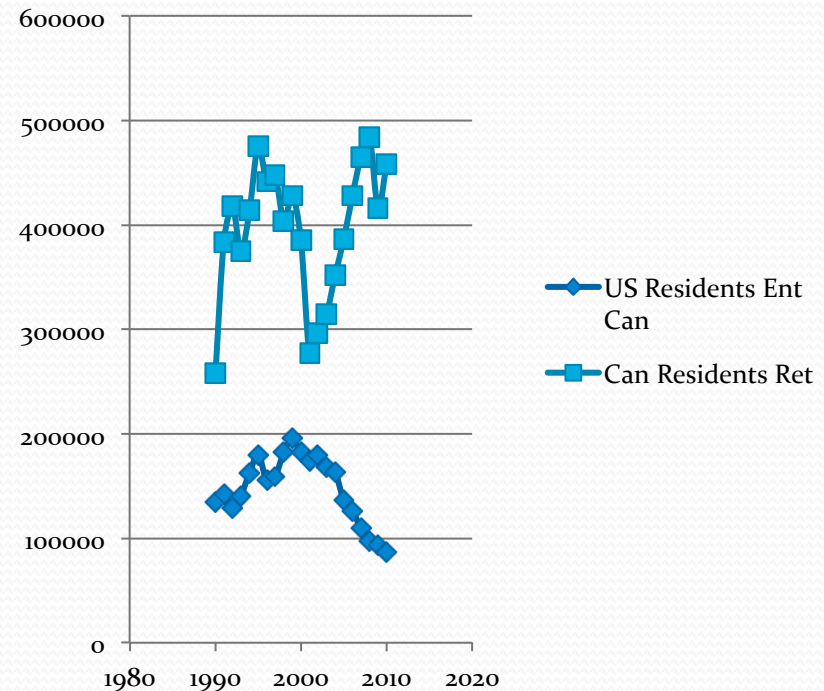
- Received 8.6 million person visits
- Travelers spent 2.4 billion dollars in region from June 2005-May 2006
- This spending supported 59,300 jobs and generated 1.1 billion dollars in resident income, 298 million dollars in state government revenues and 99 million in local government revenues.

A History of Cross-Border Travel for the Heart of the Continent

**Cross-Border Travel: Fort
Frances, Total Crossings
(Source: Statistics Canada)**

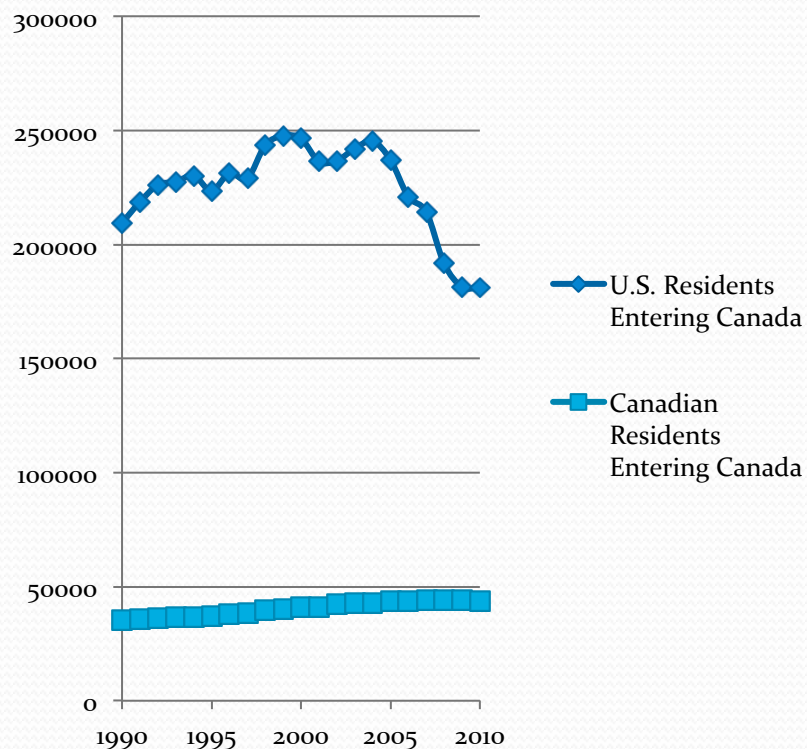


**Cross-Border Travel: Pigeon
River, Total Crossings
(Source: Statistics Canada)**

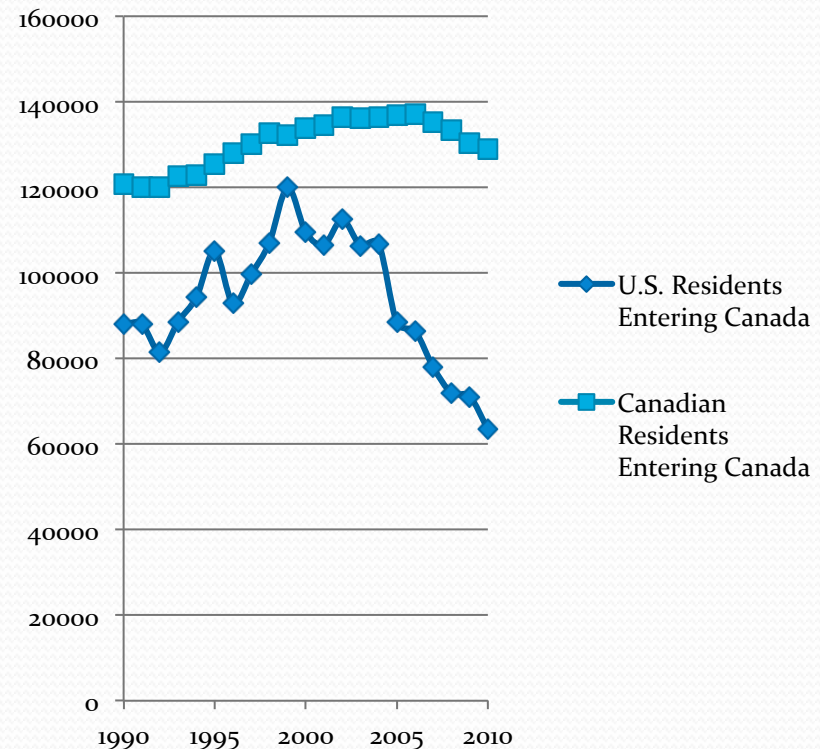


Longer Duration Cross-Border Trips Have Been Ebbing

**Fort Frances, Automobile,
Two or More Nights**



**Pigeon River, Automobile,
Two or More Nights**





Challenges

- Tourism and travel important economic generators but growth has slowed recently
- Need to boost cross-border travel in Heart of the Continent Region
 - Resolving border issues
 - New cross-border attractions and travel zones
 - Strategic marketing of entire region internationally

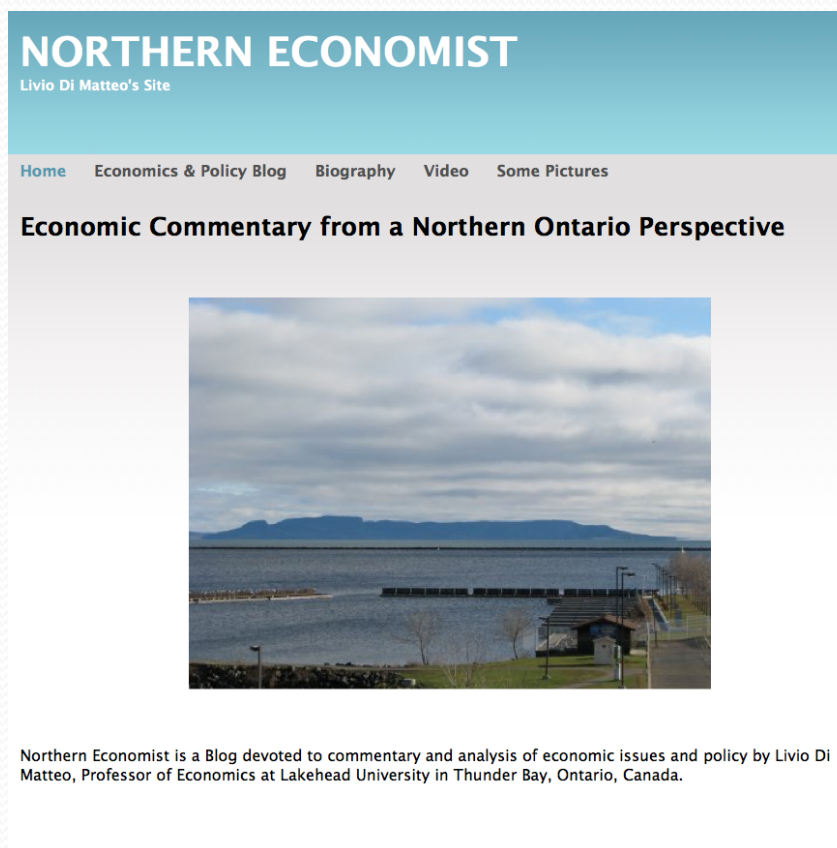


CONCLUSIONS

- Heart of Continent a cross-border region with a rich endowment of nature and wilderness
- Nature and wilderness a major asset in its travel and tourism industry.
- New growth opportunities needed.

Further Information

- Livio Di Matteo's University Website
 - <http://economics.lakeheadu.ca/dimatteo/dimatteo.html>
- Northern Economist Web Site
 - <http://ldimatte.shawwebpace.ca/>



Thank you. Questions?