

GOING FROM CHICAGO TO DULUTH OF THE NORTH: *THUNDER BAY'S ECONOMY IN THE PAST, PRESENT AND FUTURE*

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Presentation for October 20th, 2018

In Conversation Series, Thunder Bay Public Library

SIR WILFRID LAURIER AND THE GREAT BOOM

- Wheat Boom Era the seminal experience in Thunder Bay's/The Lakehead's economic development
- Famous line that the Lakehead cities would be the Chicago of the North

CHICAGO 2018



THUNDER BAY 2018



THE DISAPPOINTMENT OF THE 20TH CENTURY

- Needless to say, things did not turn out quite that way.
- Thunder Bay/The Lakehead's economic (& waterfront) experience more parallel to that of Duluth Minnesota
- Thunder Bay seen as not having lived up to its potential.



PRESENTATION LAYOUT

- Thunder Bay's Economic Development
 - Economic Themes & Phases of Development
 - Long Term Indicators
 - Why did we not become the Chicago of the North?
- Thunder Bay's Recent Performance: Overview
 - Employment, Income, Demographics
 - Economic Drivers
- Thunder Bay's Economy: The Future

THUNDER BAY'S ECONOMIC DEVELOPMENT

ECONOMIC THEMES: THE THREE PILLARS

- Transportation
 - Railways, shipping, grain transportation, car manufacturing
- Natural Resources
 - Pulp and paper, lumber, mining
- Government
 - Regional government services
 - Government role in transportation & resources

PHASES OF DEVELOPMENT

- Before 1867
 - Pre-European Settlement
- 1867-1914
 - Boom & Settlement
- 1914-1945
 - Consolidation, Depression & War
- 1945-1970
 - Post-War Boom
- 1970-Present
 - Rapid Expansion Ends, Economic Plateau

NATIONAL POLICY

- Land settlement, commercial policy and railway link
- Lakehead located at main transshipment point between east and west
- 1883 – first grain elevator with a capacity of 350,000 bushels built in Port Arthur
- By 1900 – CPR had built four more elevators in Fort William

***“TWO TOWNS STAND ON THE SHORES OF THE
LAKE LESS THAN A MILE APART. WHAT LLOYD’S
IS TO SHIPPING, OR THE COLLEGE OF SURGEONS
TO MEDICINE, THAT THEY ARE TO THE WHEAT”***

Rudyard Kipling, Letters of Travel

GRAIN SECTOR

- By 1920s, the Lakehead possessed 32 grain elevator terminals
- Total storage capacity of 93 million bushels
- Lakehead was world's largest grain port.
- Lakehead was an innovator in grain shipping, storage and transport technology

STATE OF THE ART IN 1915 AND TODAY...FW NO. 10 ...WESTERN GRAIN

Grain Experts Fully Alive to Needs of West



Capacity—250,000 Products

PIONEER HOSPITAL AND DRYING ELEVATOR OF THE DOMINION

[illegible][illegible][illegible][illegible]

MAGNIFICENT PLANT OF THE FORT WILLIAM ELEVATOR COMPANY

Finally, the firm has developed greatly since the first engineering design of the system of handling grain, from a small, one-man operation to a large, modern plant. In addition, to the steel tanks set up on concrete foundations, and linked to the belt by a series of rollers, the use of rubber conveyor has become almost universal. This has made possible the use of rubber conveyor in places where the use of steel conveyor was impossible, because of the weight of the material. For example, for the elevator of the Port Williams Storage Company, which is one of the largest in the world, the use of rubber conveyor was regarded as almost a very long time ago. The use of rubber conveyor has also been the basis of the Kaniemiya store on the coast of the Pacific, where the use of rubber conveyor has made possible the use of rubber conveyor for the handling of grain. The use of rubber conveyor has also been the basis of the Kaniemiya store on the coast of the Pacific, where the use of rubber conveyor has made possible the use of rubber conveyor for the handling of grain. The use of rubber conveyor has also been the basis of the Kaniemiya store on the coast of the Pacific, where the use of rubber conveyor has made possible the use of rubber conveyor for the handling of grain.

[illegible]

The Port Wainfleet elevator is a horizontal house in the strict sense of the word, but is constructed in a way that makes it possible for it to be raised, separating and driving apart the two halves, and then lowered again so that it can be pumped and the tide made to flow through. The elevator is 100 ft long, 30 ft wide and 10 ft high, and is divided into three main sections: a pump and each group having an outlet of 4 ft diameter. The three groups are, respectively, that section of reserve, according to the operators' experience, that is the most likely to be raised; those groups there are Richardson's main pumps, which are the most powerful; and, finally, that section of reserve which flows from the main. Two 100 ft shafts complete the elevator, and the whole structure is a mixture of low thrust and high thrust, the first being a slow drive to bring the elevator up, and the second being a fast drive to bring it down as fast as possible. The elevator is 100 ft long, 30 ft wide and 10 ft high, and is divided into three main sections: a pump and each group having an outlet of 4 ft diameter. The three groups are, respectively, that section of reserve, according to the operators' experience, that is the most likely to be raised; those groups there are Richardson's main pumps, which are the most powerful; and, finally, that section of reserve which flows from the main. Two 100 ft shafts complete the elevator, and the whole structure is a mixture of low thrust and high thrust, the first being a slow drive to bring the elevator up, and the second being a fast drive to bring it down as fast as possible.

[illegible]

Capacity—1,700,000 Bbl/y



LAKEHEAD DID NOT BECOME “CHICAGO OF THE NORTH”

- The Lakehead a newcomer to urban hierarchy marked out by Toronto, Minneapolis, Winnipeg & Chicago
- Lakehead eclipsed by Winnipeg as gateway to the west – fall in transport costs weakened its manufacturing sector. Substantial “bonusing” of industry in short run failed in long run.
- Interurban rivalry at Lakehead
- Spread effects from grain shipping and resource processing linkages largely leaked outside local economy due to external ownership.

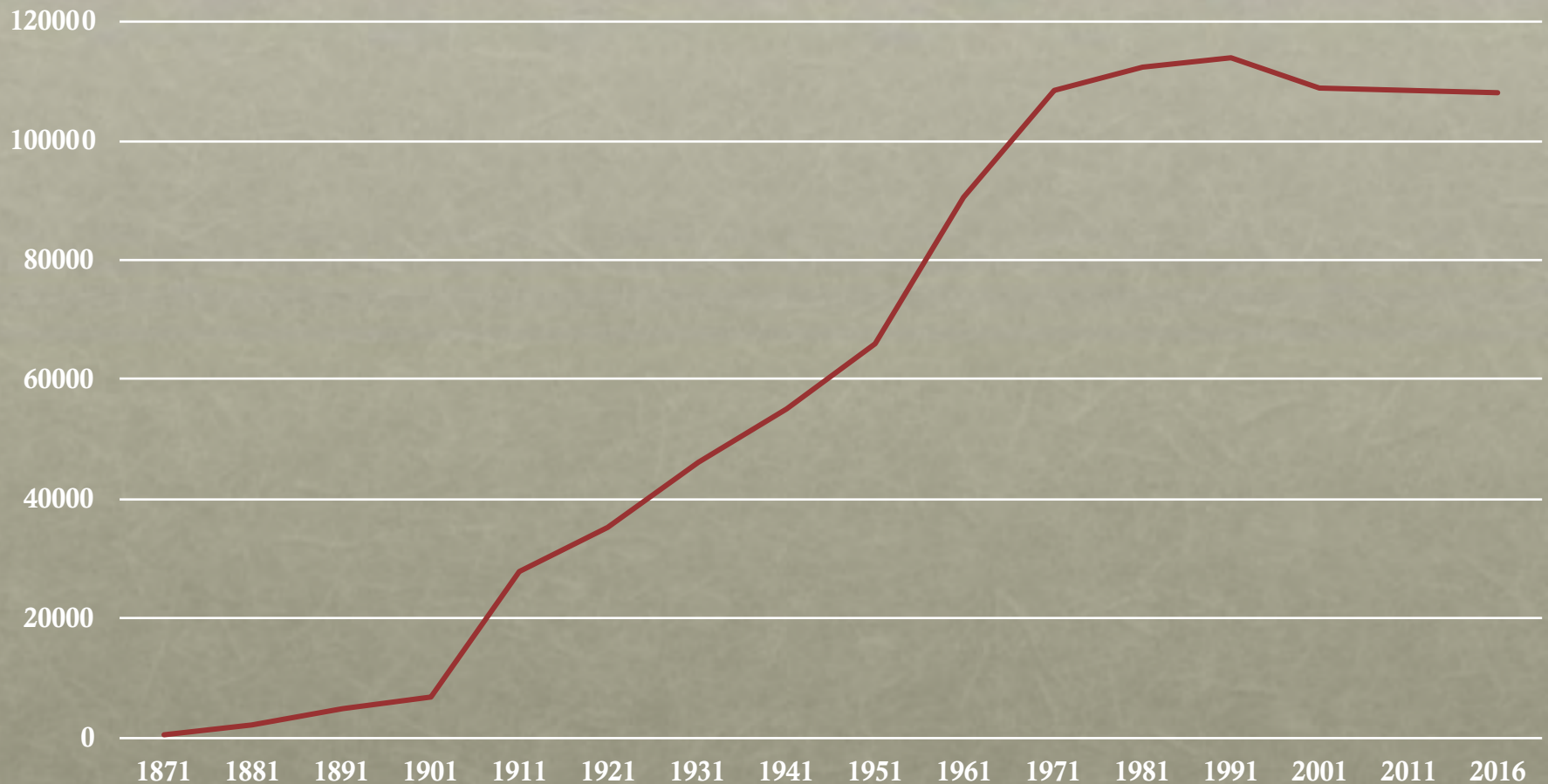
UNREALISTIC EXPECTATIONS

- *In the end, it was unrealistic to expect that The Lakehead would grow to become the Chicago of the North given economic factors.*
- *The reality is that The Lakehead's economic development and growth was substantial given its economic environment*

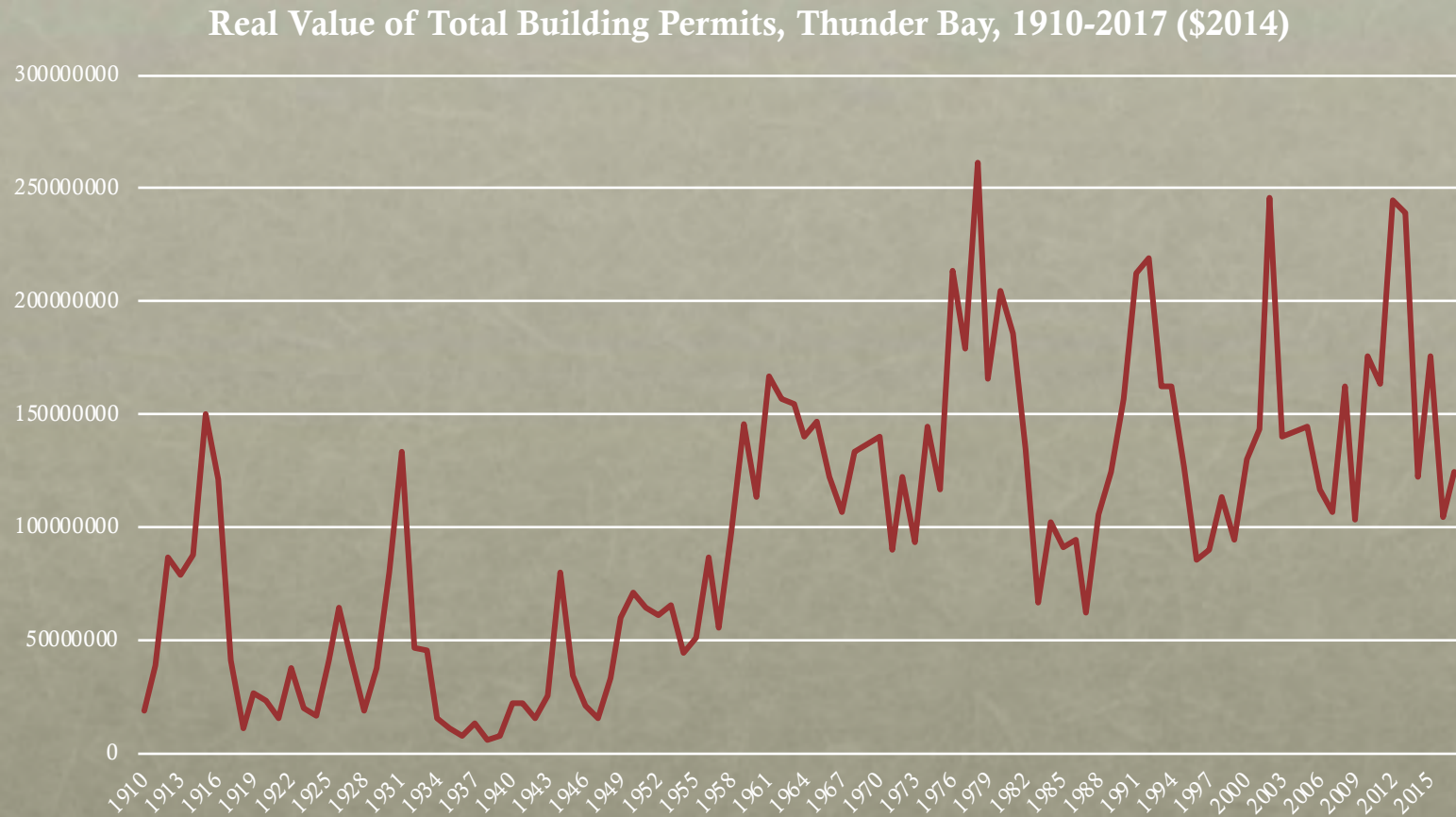
LONG TERM TRENDS

THUNDER BAY POPULATION

Thunder Bay's Population: 1871-2016

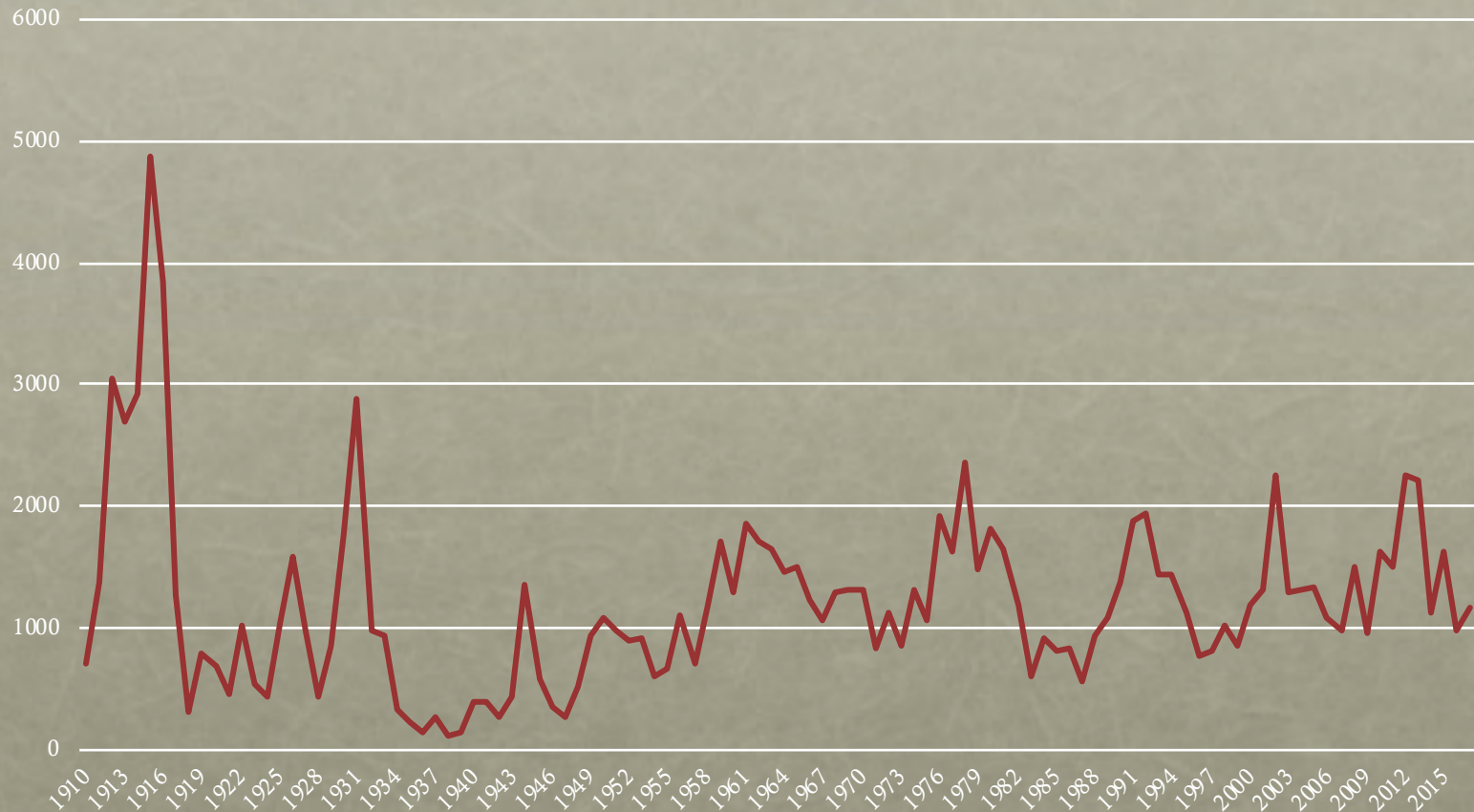


LONG-TERM CAPITAL INVESTMENT



PER CAPITA VALUE OF PERMITS

Real Per Capita Value of Total Building Permits, Thunder Bay, 1910-2017
(\$2014)



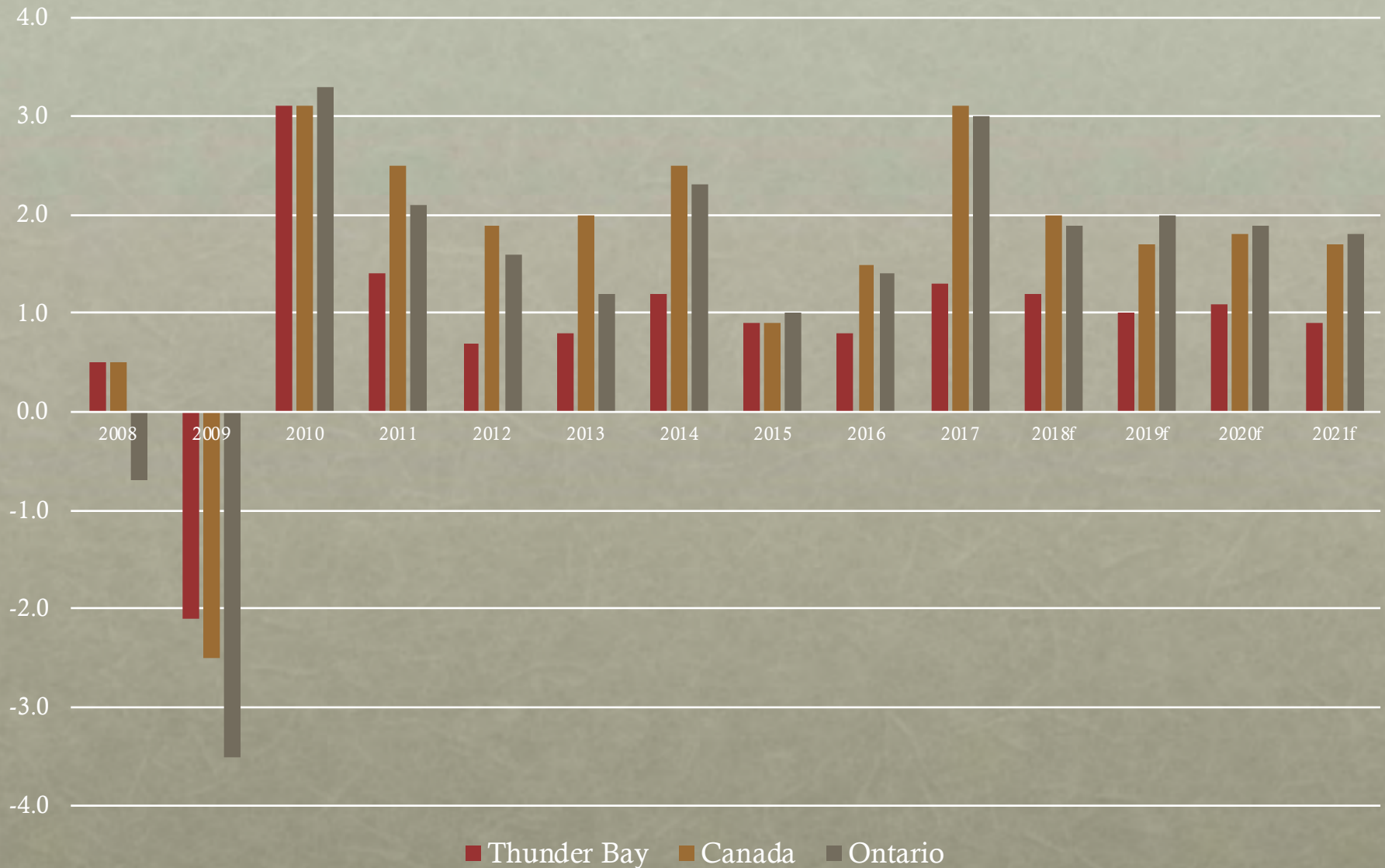
THUNDER BAY RECENT PERFORMANCE & CURRENT INDICATORS

THUNDER BAY

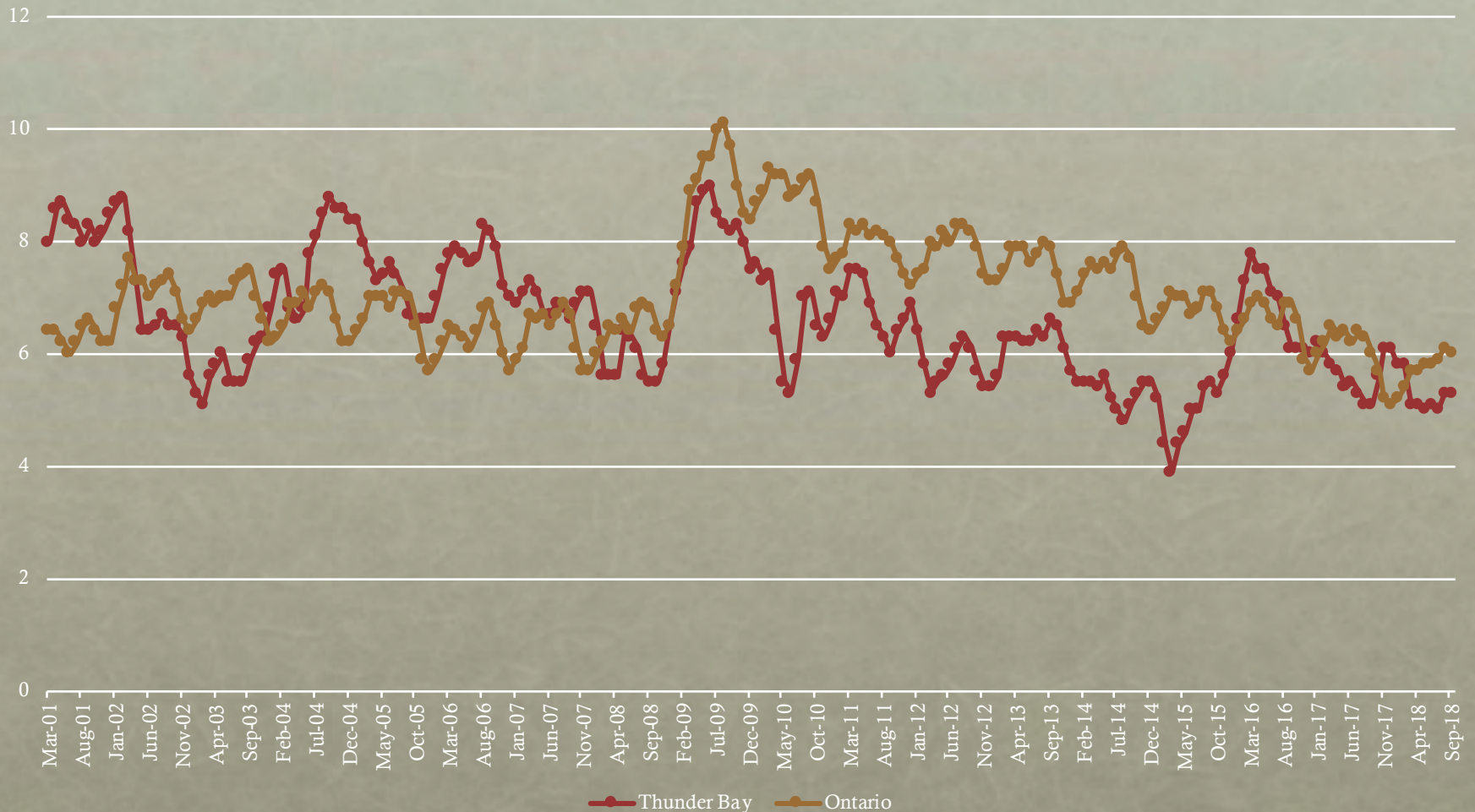
- An economy that has stabilized from the extraordinary shocks of the forest sector crisis and is doing better.
- Thunder Bay doing better than Northwest
- A 4.7 billion dollar economy (in \$2007.)
- Real GDP Growth for Thunder Bay positive but lagging rest of country. Expected to grow 1.2 % in 2018.
- GDP in 2017 surpassed previous peak reached in 2005.
- Growth in transportation, health, education, research, culture, recreation and public administration employment. Mining sector growing & future promising.
- Housing starts in Thunder Bay have begun to soften and sales fell in 2016 and 2017.
- Unemployment rate near national average.

Real GDP Growth Comparison: Thunder Bay, Canada, Ontario (%)

(Source: Conference Board of Canada)

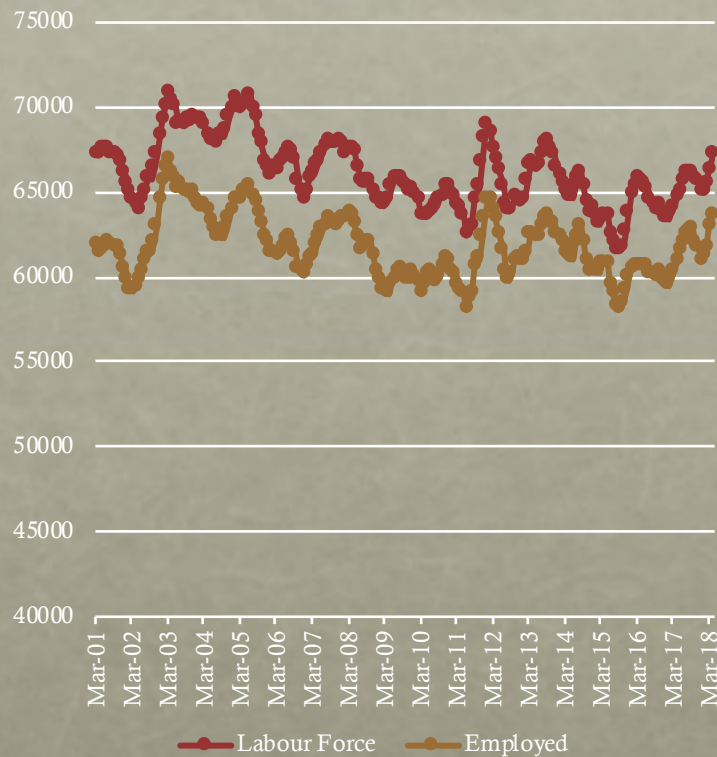


Monthly Unemployment Rates (%), Seasonally Adjusted, Thunder Bay and Ontario, 2001 to 2018 (Data Source: Statistics Canada)

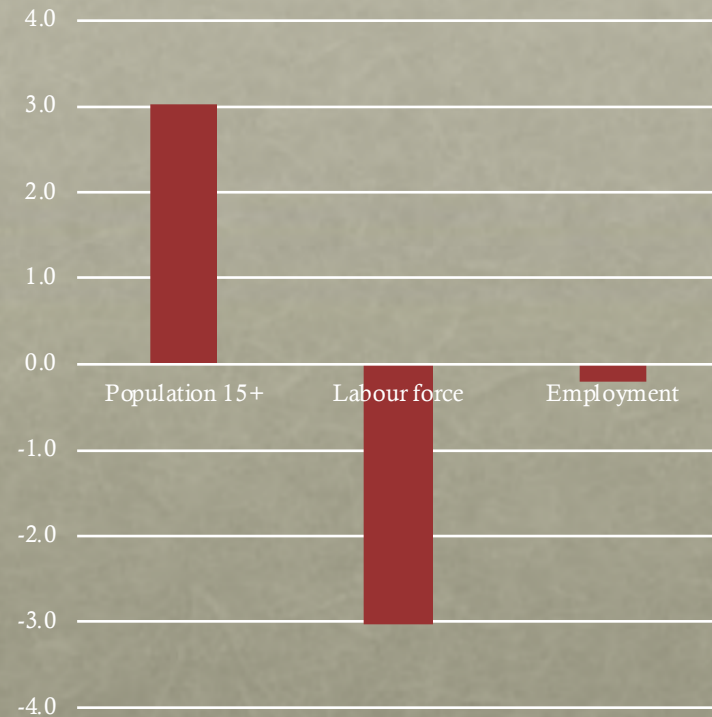


EXPLAINING THUNDER BAY'S FALLING UNEMPLOYMENT RATE

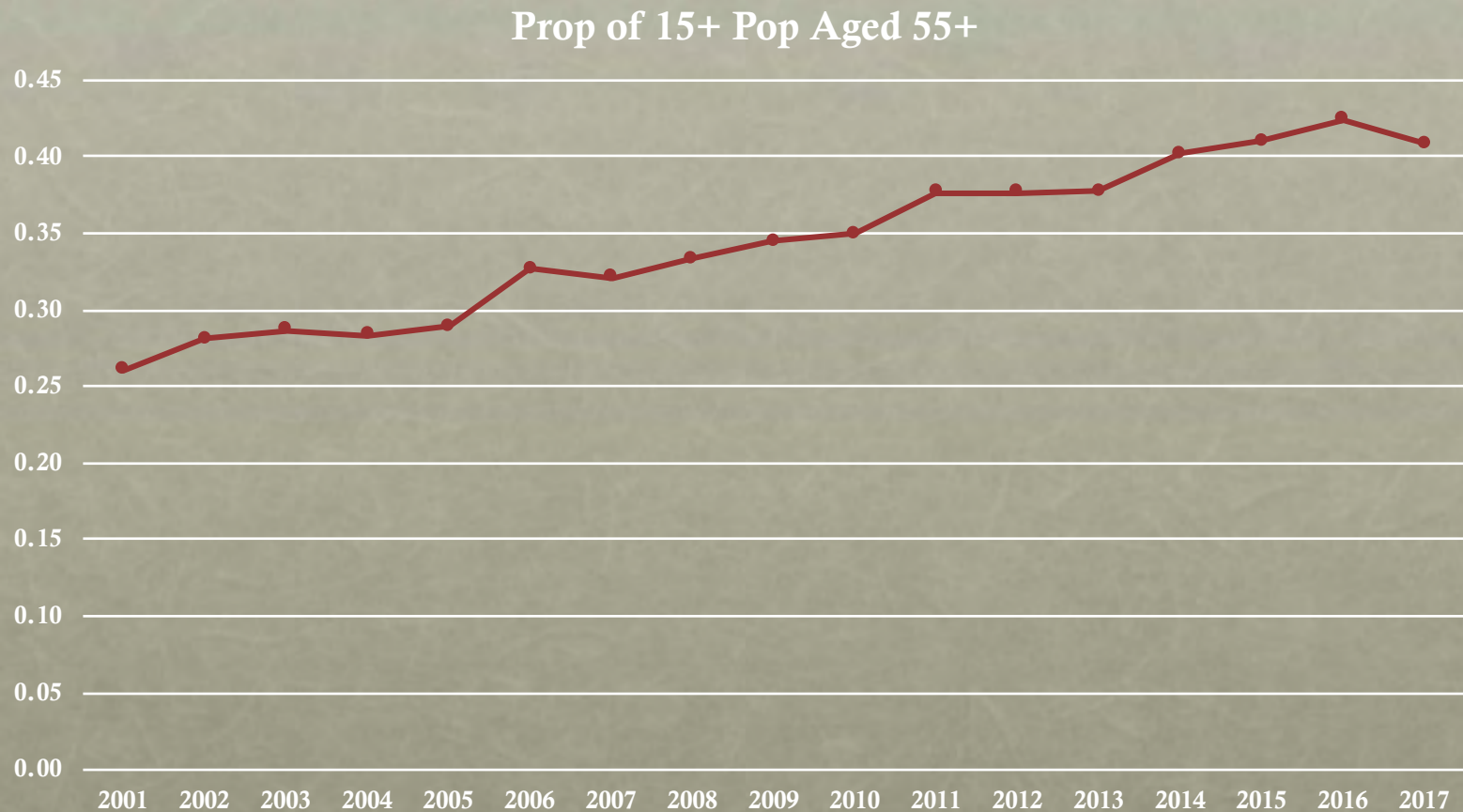
Labour Force and Employment in Thunder Bay, 2001-2018



Percent Change in Population 15+, Labour Force and Employment, Thunder Bay, 2001 to 2017



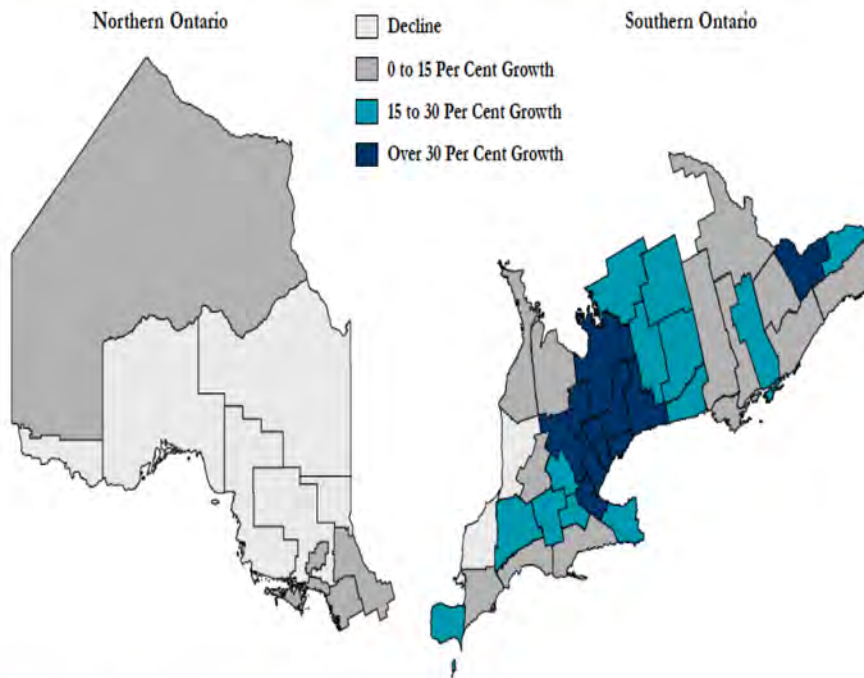
THUNDER BAY DEMOGRAPHICS



NW ONTARIO DEMOGRAPHICS

Chart 9

Population growth/decline by census division over 2017 to 2041



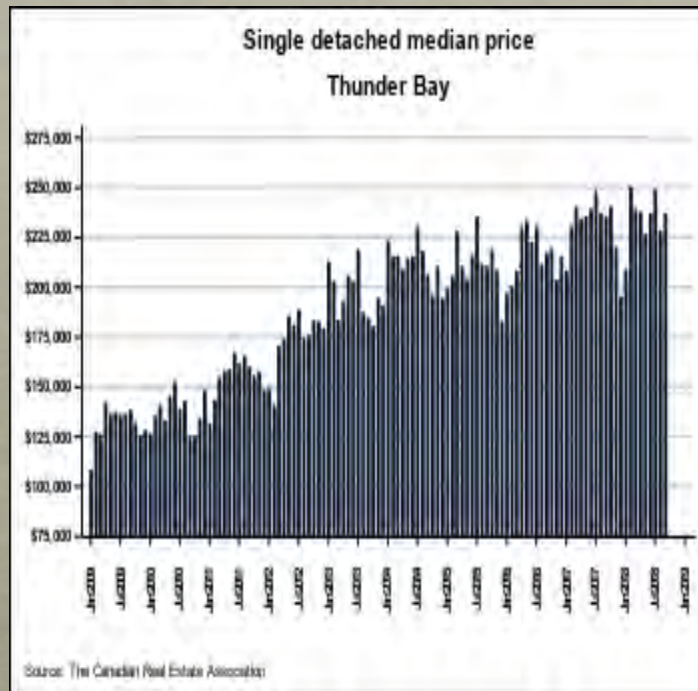
Source: Ontario Ministry of Finance projections.

- Source: Ontario Population Projections, 2017-2041, Ministry of Finance
- Population growth in NW to be fueled by First Nations
- Population aged 65+ in Northwestern Ontario is 18% in 2017 and expected to reach 27% by 2036.
- Population in NWO expected to stay stable through to 2036 at about 240,000.

RECENT NPI REPORT

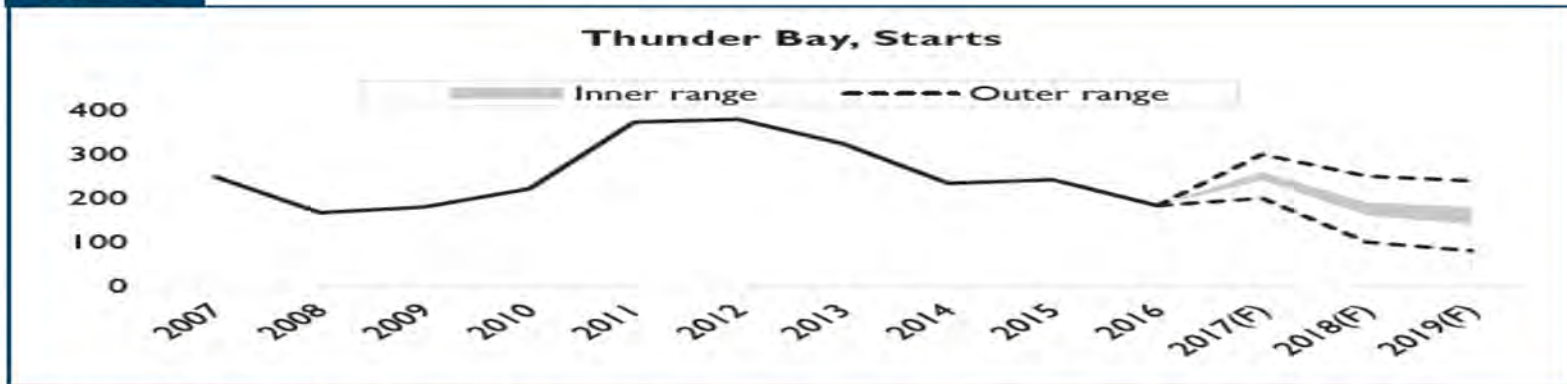
- Since 1996, 8 out of 11 Northern Ontario districts have experienced a population decline.
- Exceptions: Manitoulin, Parry Sound, Kenora
- Migration a factor: Net outmigration both in 20-29 age group and 30 to 64.
- Solutions: Increasing fertility and labor force participation rates among those already in Northern Ontario could help counter this demographic decline. Another solution is to attract newcomers but need to be competitive as world populations are aging..

THUNDER BAY REAL ESTATE BOARD 2009-2018: THE MEDIAN SALE PRICE FOR SINGLE DETACHED HOMES IN SEPTEMBER 2018 WAS \$236,450, EDGING UP 0.7% FROM THE MEDIAN PRICE IN SEPTEMBER 2017.



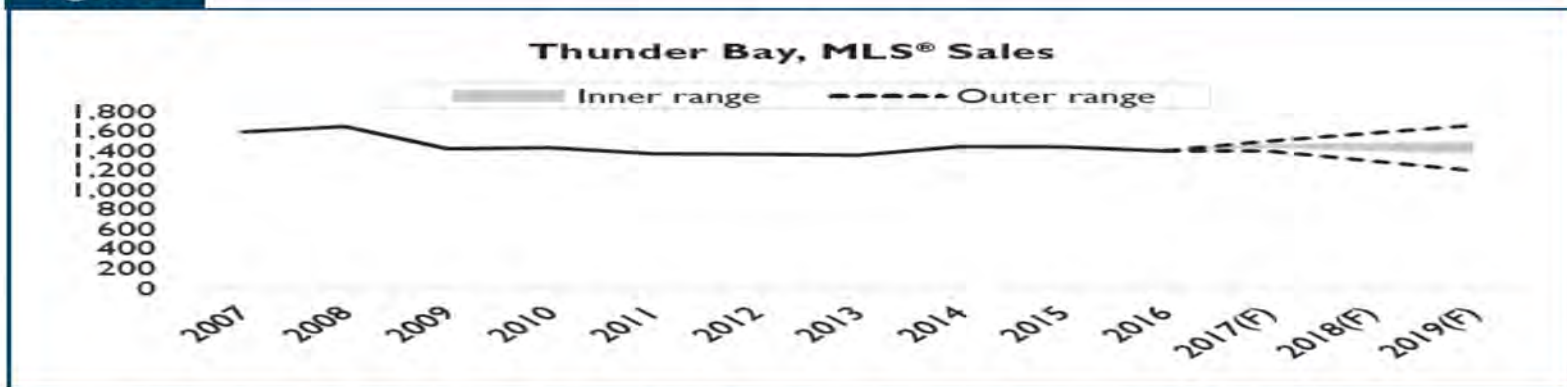
CMHC FORECASTS

Figure 1



Source: CMHC; (F) = CMHC Forecast

Figure 2



Source: Thunder Bay Real Estate Board, data are for Districts 1 and 2 only; (F) = CMHC Forecast; MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

SUMMARY: THUNDER BAY

- Below average GDP growth relative to province and country
- Population stable but proportion 55+ rising.
- Total Labor force shrinking
- Total Employment shrinking (but more slowly than labor force)
- Housing prices and sales will likely level off as interest rates rise. Thunder Bay Real Estate Board notes as of second quarter 2018 – sales up but median prices flat. September 2018 sales are down from September 2017.