Dramatic events, throughout the world in recent years, have led the Government of Canada to rethink its military strategy and to consider closing down some military bases and realigning others. World events, however, are not the only forces at play. Canada's difficult fiscal situation is also pushing the Canadian government to downsize and restructure its forces and to reduce defence spending. There is strong pressure on the federal government to repair its balance sheet by cutting spending, with many observers suggesting that there is limited room left to increase or add new taxes.

The cost to taxpayers of maintaining military bases is high at $4.5 billion in 1992-93 as reported by the Department of National Defense (DND) officials in November, 1993. Yet, closing a base is not an easy matter, even if it makes sense from a strictly military perspective. Communities housing a military base invariably fight any attempt to close "their" base. Indeed, a "Save Our Base" committee is sure to spring up at the first hint that such a proposal is in the wind. The community, however, is not likely to point to military requirements to make the case to keep its base open. Rather, it will predict invariably economic disaster for itself if the base closes. It will also argue for its fair share of military spending and draw notice to other communities, provinces and regions already receiving more than their share.

The point is that the needs of the military are by no means the only reason why bases are kept open. The purpose of this paper is to examine this issue. We now have some experience with base closures. CFB Summerside, in Prince Edward Island, was closed in 1989 and this case can be used to answer a number of questions: What would have been the cost to the government of keeping CFB Summerside open as opposed to the cost of assisting the community to adjust? What was the socio-economic impact on Summerside of the
decision to close the base? Is the federal government well equipped in terms of both process and data gathering capacity to deal with the forces pushing for more base closures? Are there lessons on the issue that Canada could borrow from abroad? CFB Summerside makes an interesting case study because the base was located in a slow growth region and because the closure received widespread media attention.

Closing the Base

The Minister of Finance announced the closure or the reduction in the size of several military bases and installations in his budget speech on 27 April 1989 (Department of Finance 1989: 6). The announcement was unexpected. The requirements of budget secrecy are such that the provincial governments involved, the communities affected, and even the bases themselves were not consulted or informed before the announcement was made public. The communities and their provincial governments, however, reacted swiftly and "in most instances with "shock" and "anger" on hearing the news.1

As for Summerside, the case was put forward that the base closure would cripple the community's economic future. Indeed, DND's own figures for 1988-89 spoke to the pervasive presence of the military base on the economies of both Summerside and the province. These figures were produced at the Summerside base shortly after its closure was announced, although it later became clear that they had been inflated to overstate the importance of the base to the local economy.

As Table 1 indicates, full-time and part-time employment on the base represented 2.2 percent of the total work force in Prince Edward Island.

Residents of Summerside and Prince Edward Island report that, although they were well aware that the base was always vulnerable to sudden cuts in the DND budget, they had always received mixed signals from Ottawa (as reported by community leaders, November-December, 1993). They insist that they were continually assured by base officials and the federal government that the base's future was solid. In fact, the base was in the middle of a capital expansion program (albeit modest) when the closure was announced.

The response from the community and the province was swift and to the point -- the base must be kept open. Indeed, a few days after the announcement was made, a special committee was struck locally to apply pressure on Ottawa to reverse the decision, another committee was created a few weeks later to coordinate federal government initiatives, a special task group was established by the premier to review the "proposed" base closure and the premier quickly wrote the prime minister to protest the closure and to request reconsideration. At one point Premier Ghiz threatened "to sue" Ottawa over the closure of CFB Summerside.2 A few months after the task group was established, the premier met with Prime Minister Mulroney to report on its findings. The findings were again to the point -- CFB Summerside should be kept open because the base only "accounts for approximately one half of one percent of total National Defence expenditures" and Prince Edward Island is entitled to its share of defence spending (see, Task Group 1989). The military perspective, or the need to keep the base open from a strictly military point of view, was completely ignored. Much of the group's report stressed the negative socio-economic impact on the community and the Island that the base closure would entail. It argued that "closure would remove 33 percent of income from the Summerside area - $1 in $3." It stated that the "closure of CFB Summerside would devastate the economy of Summerside and surrounding communities." Specifically, it reported that:

1. 4 to 5 percent of total provincial population would be affected;
2. 33 percent of the population of the Summerside area would be affected;
3. 5 percent of total provincial income would be affected;
4. 33 percent of the income of the Summerside area would disappear (from Task Group 1989).


2. See, for example, "GST Centre to be Built in Summerside," Globe and Mail (Toronto), 4 May 1990, p. A9.
The findings of the group and the spontaneous public demonstrations against the "proposed" closure led both levels of government to launch a number of initiatives. The provincial government even looked to the constitution to see if it contained provisions forcing the federal government to locate military related activities in all provinces. To make matters worse, no federal cabinet minister went to Summerside to explain the reasons for closing the base. By late July -- some three months after the announced closure -- three government MPs finally made the trip to review the situation. One of these added fuel to the flames when he reported that "the real estate market has collapsed, prices are down 40 percent. Investment has dried up. The largest contractor in town has laid off his last employee." In response, a new federal-provincial committee was established. The prime minister and the premier then agreed to a three-pronged approach -- the base itself would be used for purposes other than military ones, the food processing sector would be expanded in the area and public sector employment would be created or transferred to Summerside.

Finding Alternatives

A few weeks after announcing the base closure, and determined not to back down, the federal government put in place a process to find new economic activities for Summerside. A cabinet committee chaired by the Minister of Employment and Immigration was established to coordinate federal efforts, the Atlantic Canada Opportunities Agency (ACOA) was asked to take the lead and a series of federal or federal-provincial committees were set up to identify new private sector initiatives and alternate public sector activities and to dispose the physical assets of the base. Numerous consultant reports were commissioned, covering a host of issues, including "community profiles," planning the "phase-out and alternatives" and defining an "adjustment strategy" (Cameron 1991). Officials report that it was not possible to provide a precise breakdown of the cost of these consultant reports, in part because several agencies were involved, but also because some of the reports went beyond the Summerside case. However, one official estimated the total cost to be about $400,000.

Federal officials involved in the process report that they were "left scrambling" for solutions in the summer of 1989 as they faced "strong political pressure" to come up with something. ACOA was told to leave no stone unturned and to pursue both private and public sector solutions. A former Prince Edward Island resident, Donald McDougall, went to the Minister of Employment and Immigration with a proposal to "privatize" base facilities. Within months of receiving the proposal, the federal government turned over the base and its assets in trust and $15 million ($10 million federal and $5 million provincial) to develop the facilities to Mr. McDougall's firm which provided interim management. The assets and the fund were subsequently turned over to a new entity, Slemon Park Development Corporation, which made a commitment to create 500 new jobs within ten years.

There was no agreement on the value of the assets turned over to Slemon Park Development. Public Works Canada considered the base to be more of a liability than an asset and the provincial Finance department estimated the asset value for provincial tax purposes at $45 million. Others, notably CFB Summerside and the provincial government, estimated the "replacement" value at over $200 million.

Slemon Park, ACOA and provincial government officials met with a number of private firms from Canada as well as abroad in an attempt to attract them to Summerside. Two firms were willing to do so. When Atlantic Turbines Inc. agreed to install engine repair facilities in the park, ACOA gave it $4 million and the PEI Development Agency gave it another $1.75 million. Slemon Park committed itself to giving Atlantic Turbines 40 percent ownership of the facilities if it created 310 jobs over the following four years. As well, Bendix-Avelex, a subsidiary of Allied Signal Inc. of New Jersey, received a $1.55 million ACOA grant to establish an avionic and repair facility. ACOA also agreed to provide $7 million to develop the Summerside Aerospace centre, using the base facilities. The provincial government contributed another $3 million to this project and gave $562,000 to a Nova Scotia firm to purchase and operate a window-making plant that was planning to shut down. In addition, ACOA provided $12 million in assistance to McCain Foods and $17.5 millions to Cavendish Farms to establish food processing facilities in the area. In both cases, government assistance was provided for the construction of water treatment plants. McCain pledged to create 140 jobs and Cavendish 160 jobs, with the McCain plant located about 20 kilometres from Summerside and Cavendish 10 kilometres. In 1992, the provincial government announced that it was moving the Institute of Justice (Holland College's Atlantic Police Academy) from Charlottetown to Slemon Park, together with its "12 jobs, a $2 million budget and $6 million in economic spinoffs".

4. Consultations with officials with the Atlantic Canada Opportunities Agency (ACOA), various dates, October 1993.
8. Based on information made available by ACOA.
At the same time as efforts were under way to attract private firms to Summerside, federal, provincial and municipal officials were also pursuing public sector solutions. The federal government agreed to designate Summerside eligible for the Community Futures Program and up to $800,000 funding annually for five years.

The big prize was the new facility yet to be established to process the new Goods and Services Tax (GST). ACOA commissioned a consultant report to study the feasibility of locating the centre in Summerside. An intensive lobbying effort followed, involving ACOA, the premier of Prince Edward Island, several members of his cabinet and the mayor of Summerside (who made twenty trips to Ottawa). The lobbying effort was successful; the decision to locate the GST processing centre in Summerside was announced on 3 May 1990. The centre was expected to create 400 full and part-time jobs; by late fall 1993 it had already created about 550 new jobs, 493 local employees had been hired and it had an annual payroll of $16 million.

Before and After

No matter where they occur, shutdowns in military facilities create fear and resistance, with job and income losses becoming the central focus. However, it is assumed that things will be worse for smaller communities (such as Summerside) than for large urban centres since they have less diversified economies and are accordingly more dependent on the economic activities generated by a military base.

A number of caveats are required when comparing the economic well being of Summerside before, and after, the closing of the base. No economic model, however sophisticated, could possibly capture completely the economic circumstances before the base was closed, and those after, and then link the transition directly to government efforts to mitigate the impact of the closure. The reasons for this are obvious. The economic health of any one region is never dependent on one or even a limited number of factors that can be completely isolated. Things like interest rates, the value of the Canadian currency, the state of the international and national economies, cuts in federal transfer payments, the general health of the regional economy, the strength of key sectors -- fisheries and tourism in the case of Summerside -- all come into play.

Thus, in assessing the economic health of Summerside before and after the base closure, I make no claim that the successful adjustment is entirely due to government efforts. However, a fairly accurate picture of the situation is possible by using data provided by Statistics Canada from the 1991 Census, although it could be argued that the full impact of the base closure was still not completely clear by 1991, nor for that matter was the impact of the new employment initiatives. With that caveat in mind, we examined census data for two different dates -- 1986 and 1991. We compared the total population, participation rates, unemployment rates, employment breakdown by sector, average incomes and the extent to which income was derived from employment as opposed to government transfers for the two years. We also carried out interviews with community leaders and individuals directly involved in promoting the economy of Summerside. We did this because there are important forces shaping the development of a community which cannot be captured by statistics or economic data alone. The most obvious of these is a community's spirit. In economic development, success tends to breed success and failure tends to breed failure. There was, for example, certainly cause for concern when the day after the base closure was announced, we heard that the action would "devastate" the local economy or turn Summerside into a ghost town. There are other indicators, including the health of the local real estate market, which we wanted to capture.

The best that can be said about Summerside's economic environment before the announcement of the base closure was that it was "stable." In fact, Summerside, like Prince Edward Island itself, has had a stagnant economy for some time. Indeed, the Island's population, and that of Summerside, at the close of the last century was nearly as high as it is today. Prince Edward Island's economy is by far the smallest in Canada, accounting for less than 0.3 percent of Canada's GDP (Prince Edward Island itself comprises only 0.5 percent of Canada's population). Unemployment rates -- second only to Newfoundland -- have consistently been among the highest in Canada. The Island's unemployment rate has never fallen below 13 percent in the last five years and stood at 19 percent at the end of 1993. And, like the other provinces, Prince Edward Island has seen a dramatic loss of its rural population. Over the past half century, the percentage of the Island's population living on farms has declined from 63 to 8 percent. While several of the other provinces have been able to accommodate the shift in population from rural to urban, Prince Edward Island has no large metropolitan centres and no large manufacturing sector to absorb the shift. The Island's two cities, Charlottetown and Summerside, are both small and their economies are not sufficiently diversified to generate new economic opportunities to accommodate a mobile workforce. Accordingly, Islanders have, over the years, migrated to other provinces which explains why Prince Edward Island's population has hardly increased during the last one hundred years (Department of Industry 1992).

The above also explains, at least in part, the strong reaction from Summerside to the announcement that the base would close. The Island's economy and its urban structure were already weak and scarcely in a position to absorb

TABLE 2 Summerside's Economic Circumstances

<table>
<thead>
<tr>
<th></th>
<th>1986</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>8,020</td>
<td>7,474</td>
</tr>
<tr>
<td>Total labour force</td>
<td>3,895</td>
<td>3,590</td>
</tr>
<tr>
<td>Participation rate</td>
<td>62.9%</td>
<td>62.6%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>15.7%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Occupied private dwellings</td>
<td>2,790</td>
<td>2,830</td>
</tr>
<tr>
<td>Average income for males 15+</td>
<td>$17,626</td>
<td>$33,309</td>
</tr>
<tr>
<td>Average income for females 15+</td>
<td>$10,617</td>
<td>$11,927</td>
</tr>
<tr>
<td>Total income composition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- employment</td>
<td>70.2%</td>
<td>67.6%</td>
</tr>
<tr>
<td>- government transfer payment</td>
<td>19.2%</td>
<td>21.9%</td>
</tr>
<tr>
<td>- other</td>
<td>10.6%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Total assessed market value in 1980
- commercial real estate $49,084,727
- non-commercial or residential real estate $151,835,500
- total market value $200,920,227

Total assessed market value in 1993
- commercial real estate $57,283,076
- non-commercial or residential real estate $174,152,500
- total market value $231,435,576

Note: The dollar figures are in constant 1986 dollars.

Surplus labour. As shown in Table 2, CFB Summerside provided not only stable jobs but also a stable economic environment for Summerside and its surrounding areas.

What were Summerside's economic circumstances like in the late 1980s? In 1986, Summerside had a total population of 8,020. The total labour force was 3,895, the participation rate stood at 62.9 percent and the unemployment rate was 15.7 percent. Employment included 210 people employed in primary industries, 380 in manufacturing, 215 in construction, 305 in transportation, 545 in trade industries, 700 in government service and 1,360 in other service industries. There were 2,790 occupied private dwellings. Average income for males aged 15 and over amounted to $17,626, while for females aged 15 years and over, it was $10,617. The total income composition for the area saw 70.3 percent coming from employment, 19.2 percent from government transfer payments and 10.6 percent from "other" sources (Statistics Canada 1986). The total assessed market value in 1980 of commercial real estate was $49,084,727 and of non-commercial or residential real estate was $151,835,500 for a total market value of $200,920,227.

In 1991, Summerside had a population of 7,474. The total labour force was 3,590, the participation rate was 62.6 percent and the unemployment rate was 14.9 percent. The structure of employment saw 120 people employed in primary industries, 420 in manufacturing, 225 in construction, 300 in transportation, 600 in trade industries, 155 in finance, 535 in government service and 1,145 in other service industries. There were 2,830 occupied private dwellings. Average income for males aged 15 and over was $33,309, while for females aged 15 years and over, it was $11,927. The total income composition for the area saw 67.6 percent coming from employment, 21.9 percent from government transfer payments and 10.5 percent from other sources (Statistics Canada 1991). The total assessed market value in 1993 in commercial real estate was $57,283,076 and non-commercial or residential real estate was $174,152,500 for a total market value of $231,435,576.

The above suggests that Summerside never went through the kind of painful economic adjustment that people had envisaged the day after the announcement that the base would close down. There was a drop in employment in government service from 1986 to 1991, in total population and in the total labour force and more of the area's income came from government transfer payments than was the case in 1986. However, employment in manufacturing, in trade industries and finance went up, as has average incomes for both males and females. The unemployment rate has also gone down. The real estate market (both commercial and residential) has hardly gone through a painful downward adjustment. At the same time, it is important to bear in mind that economic circumstances nationally in 1991 were more difficult than in 1986 and the impact of a number of important new developments in Summerside (particularly the GST centre) had yet to be fully felt by 1991.

The numbers only tell part of the story. It is clear that the initial predictions of disaster were unrealistic. An important lesson learned is that, in the future, community leaders should make their predictions not necessarily on the assumption that no recovery program will be initiated, but on the assumption that it will. Another important lesson is that redevelopment does not just happen, it must result from a deliberate effort to organize the affected community.

Three years after the 1989 budget speech announcing the closure of CFB Summerside, the mayor of Summerside declared that the community will "have a stronger economy in the long run, despite the loss [of the base] or perhaps because of it, we'll end up with more jobs. Our economy will become more diversified and more stable. The future looks bright," A senior government official in Prince Edward Island explained that the base closure is viewed by...
many as a "blessing in disguise". He explained: "the possibility of the base closing always hung over the community’s head. The rumour of its closure came around on schedule every three years or so. Now the community can get on with what it has to do - and it has". The head of a local real estate firm reported that Summerside “is one of the few areas of Prince Edward Island with a zero vacancy rate. Summerside should be booming for the next three to four years".

The Prince Edward Island office of the Canada Mortgage and Housing Corporation confirmed the strength of the local real estate market. The corporation reported that the vacancy rate in the rental market has consistently come down and by late 1993 stood only slightly above that of other Maritime centres such as Charlottetown. In addition, the resale market for houses is stronger in Summerside than in other Maritime centres and resale prices in Summerside were going up "faster" and are "firmer" than elsewhere in the region.

It is important to note that redevelopment is not the only reason why the impact of the base closure on employment has been much more limited than originally anticipated. Military personnel were transferred rather than unleashed into the local labour market, as were many civilian personnel as well. Some jobs were freed up when military and civilian personnel and their spouses moved out of the community. Similarly, local community leaders now report that military personnel, a number of them housed on the base, had limited impact on the local economy, especially in retail sales. This confirms the view that the loss of military personnel is less serious on a community than is that of a private company (for other experiences, see Bacon 1989 and Durcuff et al. 1970). Some observers have long argued that military bases are, by and large, a poor form of economic development because they import supplies without producing anything of value locally to replace the imports and also because they do not encourage entrepreneurship.

In any event, the closure of the military base started a series of events in Summerside which were highly positive. Although one should be careful not to overgeneralize on the basis of just one case study, some of these positive events included:

- community leadership became organized and began to focus on future development opportunities;
- full use of the base’s assets was turned to the community’s economic advantage at no cost to Summerside;
- governments at all levels made it a priority to assist the community;
- the economy is becoming diversified.


**The Cost**

What were the savings to the federal Treasury in closing down CFB Summerside? What were the costs to the federal Treasury in putting in place measures to assist the community in making the transition?

While these two questions are straightforward, their answers are not. DND, through its Infrastructure Adjustment Program (IAP), is developing a capacity to provide cost savings and cost avoidance for its activities as it seeks to rationalize its military bases. The department is less certain about the extent of cost savings and cost avoidance it was able to realize in the past when it closed down some of its bases. Subsequent audits of the closure of CFB Summerside reveal a number of "areas of concerns" and costs that were not accounted for in the projected savings. There is plenty of evidence that DND underestimated the net one-time costs of closing Summerside and overstated the long term savings. This is true for a number of reasons and they are outlined below. It is important to stress, however, that the largest area of savings when closing a base is the reduction in personnel. In the case of Summerside, for example, about 80 percent of the budget went to salaries for military and personnel savings. To calculate the long term savings properly would require DND to compare various configurations of the current bases to track the cost of salaries and wages. There is no evidence to suggest that DND has ever made such calculations.

Still, a number of things are clear. During 1988, 929 military and 246 civilian personnel were assigned to or supported by the base in Summerside. Total annual personnel costs for fiscal year 1988-89 were approximately $40 million. In 1988-89, the total cost to operate and maintain the facilities and equipment at the base was about $50 million. With the closure, military personnel were relocated to other bases and civilian employees were offered priority redeployment to other positions in DND or elsewhere in the public service, retraining and other benefits. The total personnel related closure costs were estimated to be about $8 million.

All in all, it was thought that the closure would result in a substantial reduction in personnel -- 607 military and 175 civilian. Total personnel cost savings were estimated to be $447 million over fifteen years (1989-90 to 2003-04). Meanwhile, the total fifteen-year operations and maintenance savings were estimated to be $419 million. The total savings were projected to be $866 million (in 1989-90 dollars) over fifteen years.

15. Based on information provided by officials with the Department of National Defence (DND), October-November 1993.
16. These figures, and those that follow, are based on background information provided by DND on the closure of CFB Summerside, Ottawa, undated, but the information was made available in May 1989.
However, a subsequent audit reports that the net savings attributable to the closure of CFB Summerside are estimated to be $979 million (Budget Year dollars - BY$) during the 15 year period to fiscal year 2003/2004.\textsuperscript{17} The audit, however, also identified a number of costs and savings which had not initially been accounted for in the overall savings projection. Some of these costs, for example, included a settlement paid to contractors as a result of the termination of the construction in progress at the time of the closure, additional costs for Homeowners’ Assistance Program and environmental clean-up costs. It also reports that the extent of the “realization” of projected person year savings has not been assessed.

Assuming the lowest cost savings/cost avoidance figure reported in a post closure audit -- $979 million (SBY) -- how does it compare to the cost associated with the new adjustment measures? The federal government transferred the land constituting CFB Summerside along with 85 buildings and 255 married quarters to Slemmon Park Corporation for $1. It is possible to place a replacement value on these facilities, but it is somewhat meaningless. What is more telling is the market value. Here one hears different stories with federal and provincial, regional or economic development agencies arguing that the facilities were more liabilities than assets. ACOA did not attach a market value to the facilities DND was leaving behind. One ACOA official explains why: “We were under tremendous pressure to do something for the community. At the same time, we didn’t have people lining up to buy a military base. Frankly, tinkering with market value for this and that would have been a waste of time simply because there was no market at all for what was left behind.”\textsuperscript{18}

It is important to note that there is a great deal of difference between total government spending in Summerside and the cost to government of facilitating the transition for the community away from the military base as its main economic activity (see Tables 3 and 4). For example, the cost of building the GST centre in Summerside was $40 million. Such a facility was needed whether in Summerside or elsewhere and it may well have been more expensive to build it in, say, Ottawa where the cost of land is considerably higher than in Summerside. In addition, a number of measures sponsored by the federal government for the community were funded from ongoing programs so that Summerside could have been eligible for funding whether the base remained open or not.

Accordingly, we decided to present two tables for Summerside, one reporting on government spending in the community and the other on the cost to the federal government (as best as we can determine, given the above caveats) in responding to the public outcry to do something for the community in light of the base closure.

\begin{table}[h]
\centering
\caption{Total Government Spending in Summerside (dollars)}
\begin{tabular}{lrr}
\hline
\textbf{Cost of various consultant reports (estimate)} & $400,000 \\
\textbf{Contributions from the federal government to assist in establishing Slemmon Park} & 10.0 million \\
\textbf{Provincial government contribution} & 5.0 million \\
\textbf{Assistance to Nova Scotia window-making manufacture} & 562,000 \\
\textbf{Assistance to McCain Foods Water treatment facility} & 12.0 million \\
\textbf{Assistance to Cavendish (water treatment facility)} & 17.5 million \\
\textbf{Assistance for the development of the aerospace centre (Atlantic Turbines and Bendix-Avelex)} & \\
\hspace{1cm} \textbf{- federal} & 7.0 million \\
\hspace{1cm} \textbf{- provincial} & 3.0 million \\
\textbf{Assistance from employment and Immigration Canada (EIC) towards Slemmon Park} & 7.3 million \\
\textbf{Assistance from EIC for the Community Futures Program} & 800,000 \\
\textbf{Removal expenses associated with the GST centre} & 1.7 million \\
\textbf{Construction of the GST centre} & 40.0 million \\
\textbf{start up costs including furnishing and staff training} & 20.0 million \\
\textbf{TOTAL} & 125.26 million \\
\hline
\end{tabular}
\end{table}

\textbf{Source:} Based on information provided by officials with the Department of National Defense, the Atlantic Canada Opportunities Agency and the Government of Prince Edward Island between 5 September and 18 December 1993.

We know that the Treasury Board allocated $40 million for the construction (and equipment) of the GST Centre in Summerside, while Revenue Canada contributed another $20 million for “start up” expenses for such things as travel, staff training, and furnishings. Building or renting a similar facility in Ottawa or elsewhere and start up expenses would also have represented a cost to the federal treasury. Indeed, the case has been made that when government units are decentralized or moved out of Ottawa, they become more efficient and more productive. Staff turnover, particularly in slow-growth regions, is much lower, which serves to cut down training costs and improve productivity (Savoie 1986). The one cost that is directly attributable to locating the GST centre in Summerside rather than Ottawa is the $1.7 million allocated to move 47 employees and their families from Ottawa to Summerside and travel expenses for some senior departmental officials to visit the Summerside facility. But even if half of the $60 million (the cost of the GST centre) were added to the total cost to governments to put in place mitigating measures, it is clear that the net cost to the Treasury is substantially lower than if CFB Summerside had remained open over another 15-year DND planning cycle.

All in all, the cost to the federal Treasury of bringing new employment to Summerside amounted to a one-time cost of $62.8 million. The savings to the federal Treasury of closing down the base calculated over fifteen years -- as-

\textsuperscript{17} Based on information provided by officials with DND, October-November, 1993, p. 34.
\textsuperscript{18} Consultation with an ACOA official, December 1993.
TABLE 4 Cost to the Federal Government to Assist Summerside in Making the Transition (dollars)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated cost of various consultant reports</td>
<td>400,000</td>
</tr>
<tr>
<td>Contributions from the federal government to assist in</td>
<td></td>
</tr>
<tr>
<td>establishing Slemon Park</td>
<td>10.0 million</td>
</tr>
<tr>
<td>Assistance to Nova Scotia window-making manufacture</td>
<td>562,000</td>
</tr>
<tr>
<td>Assistance to McCain Foods (water treatment facility)</td>
<td>12.0 million</td>
</tr>
<tr>
<td>Assistance to Cavendish (water treatment facility)</td>
<td>17.5 million</td>
</tr>
<tr>
<td>Assistance for the development of the Aerospace Centre - federal</td>
<td>7.0 million</td>
</tr>
<tr>
<td>Assistance from Employment and Immigration Canada (EIC) towards</td>
<td></td>
</tr>
<tr>
<td>Slemon Park</td>
<td>7.3 million</td>
</tr>
<tr>
<td>Assistance from EIC for the Community Futures Program</td>
<td>800,000</td>
</tr>
<tr>
<td>Removal expenses associated with the GST centre</td>
<td>1.7 million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>57.25 million</strong></td>
</tr>
</tbody>
</table>

Source: Based on information provided by officials with the Department of National Defense, the Atlantic Canada Opportunities Agency and the Government of Prince Edward Island between 5 September and 18 December 1993.

TABLE 5 Comparing Employment Levels

<table>
<thead>
<tr>
<th>Employment at CFB Summerside 1989</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian</td>
<td>264</td>
</tr>
<tr>
<td>Military</td>
<td>929</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,193</strong></td>
</tr>
</tbody>
</table>


| New jobs created at Slemon Park | 300    |
| GST centre                      | 550    |
| McCain plans                    | 140    |
| Cavendish                       | 160    |
| **Total**                       | **1,150** |

Source: Based on information provided by officials with the Department of National Defence, the Atlantic Canada Opportunities Agency and the Government of Prince Edward Island between 5 September and 18 December 1993.

There are very few people anywhere who are happy with the process currently in place to close down military bases in Canada. Certainly, the "bombshell" approach used to announce the closure of CFB Summerside has been widely condemned by everyone outside of Ottawa and by most people in Ottawa.

To be sure, the budget speech route, given its requirements for secrecy, has the advantage of catching communities off-guard, rendering them unable to mount a lobby to prevent the announcement. But it comes at a high price. In the case of Summerside, not only a handful of people (some ministers and some permanent officials in the Department of Finance) were aware of the decision before it was made public. DND officials themselves readily admit that they were neither consulted nor informed of the decision before it hit the news.

In addition, federal dollars have been able to attenuate the economic sting to the community resulting from the base closure - and then some. Table 5 reports on employment at Summerside before and after the base closure.

**The Process**

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To be sure, the budget speech route, given its requirements for secrecy, has the advantage of catching communities off-guard, rendering them unable to mount a lobby to prevent the announcement. But it comes at a high price. In the case of Summerside, only a handful of people (some ministers and some permanent officials in the Department of Finance) were aware of the decision before it was made public. DND officials themselves readily admit that they were neither consulted nor informed of the decision before it hit the news. As a result, interested parties were completely unprepared. Again, at least in the case of Summerside, federal officials made it clear that "there was a lack of communication between federal decision makers in Ottawa and the local community in the early stages of the announcement. A good communications plan would have made it easier to convey the reality of closure to the community" (ACOA 1992). A provincial government official reports that he was "surprised to find that there was really no process in place to deal with the situation the day after the announcement." A communications plan and a development strategy would have attenuated the fear that residents of Summerside felt for their economic future. Had these been in place, the public outcry would not have been as intense and federal officials would not have been, in their own words, "left scrambling" (see, among others, Rowley and Stenberg 1993).

Decisions taken in secret will invariably raise suspicions that the measures being announced can only be harmful to the community. Given the circumstances, it was difficult for residents of Summerside to accept that the decision was apolitical. When it comes to base closure, a decision that is not seen as apolitical "will generate embitterment and opposition that leads to negative economic expectations for the community. These negative expectations, in turn, slow the adjustment process of a host community to closure" (see, Burke 1985).

It is important to note that before the base closures announced in the budget speech in April 1989, the standard procedure was for DND to alert provincial authorities, affected municipalities and local members of Parliament that it was planning to close a military base in their regions. Although it was clear that this procedure had its inherent problems -- political pressure was

It is one thing to agree that an approach has failed, but it is quite another to come up with a new approach that will meet the test of interested groups. The Minister's Advisory Group sought to do this. It quickly discovered that, though everyone agrees that Canada has too many military bases, there is "no consensus on how to decide which should be closed". Some provinces argued that no military base should be closed during an economic recession, while other groups argued that the state of regional economies should be the main factor.

The Minister’s Advisory Group proposed the establishment of an independent body to assess departmental recommendations, to hold public hearings and to make its own recommendations. It also argued that the federal government, perhaps through the then Department of Employment and Immigration, had a responsibility for putting in place measures to "mitigate the effect of base closings". The group also laid down a process involving several actors that ought to be involved in arriving at a decision. It reported that the process should take sixteen months to run its course from the time DND submitted its recommendation to the time the government would be in a position to announce its decision. The Advisory Group's recommendations, however, were never implemented. In fact, the report's reception was less than lukewarm. DND officials felt that the recommended process was much too long to generate decisions, while other departments felt that the call for "mitigating the effects" was much too vague to be useful.

Partly as a result of the political fallout from the 1989 budget decision, DND officials are now putting in place a process to review infrastructure requirements. The Infrastructure Rationalization Process (IRP) is designed to provide senior management a mechanism to assess the impact and cost-effectiveness of alternate DND infrastructure facilities (DND 1993). The IRP is comprehensive and interactive, involving both computer programming and the judgement of expert analysts. It has developed an "infrastructure asset/requirement matrix" which compares the department's infrastructure holdings to the infrastructure requirements of its various units. Based on this matrix, infrastructure rationalization options are produced. The second phase of the process is a "military impact assessment" based on criteria developed by command and capability component personnel. Any options holding a negative military impact are discarded. The third phase puts the options through a detailed costing exercise and those that are considered "affordable" are submitted to the fourth phase, a socio-economic impact assessment. This looks primarily to four indicators - employment, income, housing (measured by the estimated off-base accommodation demand as a percent of total accommodations available in the local area) and schooling (measured by the number of military dependents enrolled in local schools as a percent of the school population for both primary and secondary levels). It is important to stress that in implementing the IRP, the DND looks to military considerations above everything else. Indeed, it labels financial or socio-economic considerations as "non-decisional components."

There is no doubt that the IRP is comprehensive. Still, it is only under development and it is much too early to report on its likely effectiveness, if any. Indeed, some observers are already suggesting that the process is fundamentally flawed to begin with since it relies on base commanders -- hardly an unbiased source -- to determine what is needed. The possibility that it might result in a number of "wish lists" is high. But even if the IRP turns out to be a complete success story, it may well end up with nowhere to go outside of DND. True, it provides a discipline, a rigorous process and ensures that several key factors are considered in reviewing the viability of military bases and installations. It can certainly provide DND and military personnel a comprehensive and defensible process to support their recommendations to scale down, close or expand their installations from a strictly "military" perspective.

However, in the case of base closures, a review of the past twenty years reveals that the "military perspective" is not enough. Pressure to keep bases operating even when it is obvious to the military that they should be closed or amalgamated, comes from communities, members of Parliament, premiers, Cabinet ministers, and even other federal departments. ACOA recently argued that non-military criteria should also be explored to decide whether a defence installation should be closed. "First and foremost," it insists, "should be the magnitude of the impact on local communities and on the provincial economy" (ACOA 1992: 15).

This is not to suggest for a moment that it would be appropriate for DND to look to factors other than military ones when making recommendations on the future of bases. What is suggested, however, is that the IRP is not enough. It does nothing to break down the two solitudes -- DND and the military on the one hand, focusing on military considerations, and virtually everyone else, on the other hand, focusing on everything but military considerations. The "everything" here includes a regional breakdown of military spending, regional development considerations, economic balance in the federation, the survival of communities and socio-economic concerns.

The process can never be complete as long as the two solitudes continue to operate in isolation of one another. A viable process would need to extend beyond DND and it cannot simply be labelled "external" as if somehow the "external" will take care of itself. A viable process would ensure that the left hand knows what the right hand is doing, would be seen to be regionally fair

Canadian political reality is such that no one region could be favoured time and time again even if it makes sense strictly from a military perspective, would offer hope for economic renewal to communities hit by a base closure and would be seen to limit or eliminate partisan political considerations.

The Summerside case also demonstrates that because the decision to close the base was taken in isolation, there was an evident lack of communication even between federal departments. There was no planning as to what should happen the day after the announcement and it showed. As the local community began to realize that there was some confusion about the issue inside the federal government, it concluded that the decision could be overturned. Energy and time were thus wasted on organizing public demonstrations rather than spent initiating a search for solutions. Moreover, the federal government was in no position to explain that measures could be introduced to assist the community as the announcement of a base closure is made. The Americans, who have a great deal of experience in this respect, suggest that funds and measures need to be identified even before the announcement is prepared.

The United States has been quite successful in managing its base closures. Indeed, since 1961 over 100 military bases have been converted to civilian use (Rowley and Stenberg, 1993). It has established a Defence Base Closure and Realignment Commission and directed it to ensure a timely, independent and fair process for closing and realigning military installations (see, Ryan 1991). Seven criteria are employed to assess the viability of military bases. Four concern military considerations and have preference - current and further missions, availability and condition, contingency and mobilization needs, cost and manpower implications. The other four include return on investment, local economic impact, impact on community infrastructure and environmental impact (Ryan 1991). In brief, the American process works as follows:

- the Secretary of Defence is required to develop a force structure plan as a baseline for realignment actions;
- the Department of Defence (DOD) is required to produce, for public review, the criteria to be used in selecting bases for closure or realignment. Regional economic and environmental impacts are mandatorily included;
- DOD provides specific and consistent guidance to the military services on criteria, measurement standards, costing data, military value assessments, etc, to be used. It has developed a computer model, COBRA, to be used in computing the costs and savings associated with each individual action within each set of related closure/realignment portfolios;
- the General Accounting Office (Auditor General equivalent) is appointed to monitor the methodology and analytical tools used by the Military Departments and reports to the commission;
- an Office of Economic Adjustment, as part of the post-decision action, helps to develop "compensatory" action packages for communities adversely affected by reductions;
- a presidentially-approved, non-partisan Base Closure and Realignment Commission is appointed and given the mandate to recommend the appropriate infrastructure posture based on the recommendations of the DOD Base Closure and Realignment Report and in the context of the approved force structure. Its deliberations are public with discussions with communities within a set time-frame; the consolidated closure realignment recommendation is presented by the commission for approval as a 'total parcel'. This is done in recognition of the strong interdependencies, between each element of the closure package. Congress is required to either accept or reject the complete submission.

There are important lessons to be learned from the United States. In defining a new approach, the government of Canada should look for a process that combines both a military perspective and a socio-economic one. The latter must be able to draw on the expertise and programs of several federal departments. The federal government should also create a "think tank" capacity to identify mitigating measures and development opportunities for affected communities in the event of base closures.

References


