

STATEMENTS AND SPEECHES



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An address to the Petroleum Accountants Society of Western Canada at the Banff School of Fine Arts on May 19, 1960, by Mr. John C. Pallett, Parliamentary Secretary to the Minister of Trade and Commerce.

... By 1867, the marks of civilization were found throughout parts of this country. A group of men had an ideal. This was not based on economic terms alone, but was an ideal of a nation stretching from the Atlantic to the Pacific - something to capture the imagination and inspiration of men. Insurmountable difficulties had to be overcome. It took the hard work and faith of a handful to make the nation we today call Canada a reality. Through that, tremendous areas were opened up. Today, Western Canada is settled and developed, and prosperity is present. The confidence in the future is abundant in this country. No longer do we hear statements, such as "the rails will rust from lack of use", no longer the tremendous financial interest of outside powers endeavouring to destroy the unity of the country. The decision of 1867 is today a reality.

And what has brought it about? Many things have contributed. The most significant of all has been the tremendous development of our natural resources, adding vast sources of wealth to our country.

We have created a highly productive nation, albeit in about 15 or 20 per cent of our country. North of us stretches another 80 per cent, just as important as our West of 1867! Just as intriguing, just as promising. What was true of the opening of the West is equally true of the opening of the North today.

Government action and national policy - it seems to me that national policy was the by-word in 1867 - are a "must" if we are to take advantage of our great potential in the North. I suggest to you today that there are three factors of endeavour in the matter of resource development.

First, resources belong to no particular segment of the people - they represent the possibility of great benefits for all Canadians.

Secondly, the role of Government in this field cannot be passive but only dynamic - by leadership to stimulate resource development, by leadership to create the mental condition to make resource development possible.

And thirdly, we are a free enterprise economy and free enterprise is the essential in the actual exploration, development, manufacture and marketing of our resources.

Northern Canada will not be developed by those who are concerned about pinching pennies today so as to have a farthing for their old age. It will be developed by those who are prepared to risk their capital, their time and their energy to help build Canada for future generations.

Physical resource development, to be on a sound basis, needs to know what we have, where it is and what it can be used for. Development in Canada in the past has been brought about by government and private enterprise. So, the function of delineation survey, inventory and planning can be assisted by government. Too little in years past has been done in Canada with regard to them and a great deal remains to be done. This is one of the important programmes of our present-day Government.

Forest inventories and research, oceanography, hydrographic survey, hydrometric surveys, agricultural and fishery investigation and experiment, all come within the category of public contribution to resource development. In the case of the North, the geological surveys and mapping, which are the basis of mineral exploration and development, are of great importance.

The second area where government can assist is in the provision of services. In 1867 - rail across Canada. The recognition then was that transportation was the important service. It is recognized today that transportation is important. Government participates totally in the case of public roads and airfields and substantially in the case of railroads.

I ask the question today: "Should these facilities be put in ahead or should they follow?" The Federal Government takes the view that they should precede, and that they should be put into new and promising areas to open them up for the development that follows. This is not a new philosophy. It built the first transcontinental railway. This is what brought about such things as the Ontario Northland Railway. Both of these were poohpoohed at the time and both have made significant contributions. But, somehow over the years, this philosophy disappeared.

There is now a new appreciation of government leadership as to the provision of transportation services, so that development might grow in the vast new areas of the North. New frontiers, 1960 - as new frontiers, 1867.

Hospitals, schools, electricity and water, all the amenities of civilization are expected on today's frontier. There is an element of speculation in a programme such as this, and careful consideration is needed by both the provincial and federal governments to select promising areas.

Resource development is for the general national advantage in the long as well as the short-term. It is a must that development proceed with an eye to the future. Conservation of our resources must go hand in hand with the profits that are made; care and planning hand in hand with the development. A National Conservation Conference is to be held next year to assess what should be done. All ten provinces, as well as the Federal Government, universities and private associations, will meet to plan for our future with increased co-ordination and assurance.

Twenty years ago, Canada's production of iron possessed no commercial significance. Today, Canada's extensive resources of this product have become a by-word. There are extremely large quantities of direct shipping iron, and a seemingly unlimited amount of iron bearing material. From the Wabush Lake area in Labrador, southwestward through the Mount Wright and Mount Reed areas in Quebec, exploration has revealed billions of tons of specular hematite and magnetite, ranging from 30 to 40 per cent iron, that can be recovered by relatively simple methods of concentration. Even the deposits of direct shipping iron ore, currently being mined at Steep Rock in Ontario and Shefferville in Quebec, contain at least a billion more tons of ore. There is, an abundance of iron ore in Canada, sufficient to supply a growing domestic demand and a large export market for generations to come. Since 1939, shipments have increased from 100,000 tons to nearly 20 million tons a year, and this industry is now a major contributor to Canadian prosperity. The iron mining industry contributes over 10 per cent of the total value of our exports of minerals and mineral products, and has become a strong and stable factor in our balance of trade.

I do not have to tell this group that in the space of 10 years a "Cinderella" industry has been found in the west. In that short space of time, the Canadian oil outlook has completely transformed. In 1950, domestic sources supplied less than 10 per cent of our nation's need. Since that time, production has risen twentyfold, and, despite the rapid rise in consumption, existing wells are able to produce enough oil to meet the nation's overall requirements. Those who know tell me that our recoverable reserves have reached some 3,000 million barrels at the present time.

I also do not have to tell you that the oil industry has met its competition from outside the country.

We know that supply and demand for petroleum is influenced by many factors, some of which are outside the control of any one country. Reserve and cost prospects must be taken into consideration as well as many other items. The number of areas where petroleum production is commercially profitable is limited. Ninety per cent of the world's proven reserves are situated in two major areas; those bordering the Gulf of Mexico and the Caribbean, and the Middle East. An equivalent of only 40 years' supply is estimated to be in these two areas. They could have a tremendous impact on the supply and marketing situation. In Canada, with the market increasing for petroleum products as in the past at an average rate of 5 per cent, it appears that the industry will continue to invest between \$75 and \$100 million a year in order to maintain its present position in the import market, a major factor in the Canadian economy.

The use of natural gas, both as a fuel and as a raw material, has progressed so rapidly during the past thirty years that it is today becoming one of our chief supplies of energy.

As with oil, Alberta possesses reserves many times larger than any other discovered in the country. Ninety per cent of all the natural gas used in Canada is produced here. Until 1955, the use of natural gas was confined to the southern half of the province. With the completion of the new pipe-lines, this source of energy has been transmitted as far east as the Province of Quebec.

In 1950, Canada had 6,000 miles of natural gas lines. By 1959, this figure had grown to 28,000 miles. The result of this rapid development has been that crude oil and natural gas from the West has been moved into scattered refineries in the east. With the progress that has been made in this short time, it is quite feasible that by 1980, or sooner, this type of energy may also reach our Atlantic provinces.

One cannot exaggerate the importance of the National Energy Board to your industry. You will recall that, prior to its establishment, there existed a rather clumsy system of processing licenses for gas export. I think it can be said that federal agencies in the past have neither been adequately equipped nor properly authorized under the then-existing legislation to assist the petroleum industry in the orderly development of our resources.

The new Board provides a public forum, with a court of record, enabling the applicant to present his case. This was denied under the old system. It also establishes a federal agency through which the industry will have some contact with the American Federal Power Commission. There can therefore be

another method of communicating views between the two countries on matters affecting both oil and natural gas.

The Board has the important obligation to assure Canadians that adequate reserves will be maintained for our own domestic requirements.

I think you will agree that, recognizing the despatch with which the recent applicants for gas export were dealt with, the new National Energy Board has already justified its existence.

I am sure it is not necessary for me to describe to an audience such as this the benefits which our country will derive as a result of the recent decision made by the National Energy Board and confirmed by the Government of Canada. Suffice to say that millions of dollars retained in Canada from both the sale of gas and the separation and processing from its raw state into various components will provide a stimulus to the petroleum industry, unparalleled in recent years. It is estimated that some \$200 million will be expended in the construction programme alone before a cubic foot of natural gas enters a transmission line. Under such a circumstance, one can only speak in the most optimistic terms in describing the future of this country.

I have mentioned development of resources in Canada and I refer to the development of those resources that are found in the ground. But there are other resources in Canada, resources without which these inert matters would remain inert and unsold. I refer now to manpower, technical know-how and energy. These have taken us into the world markets. These have taken us into the field of secondary industry. The forecast for 1960 is for an increase in capital outlay by the business community, further expansion of industrial output, increased employment and increased export trade.

It has been said that the rising tide of productivity and prosperity in many nations creates a timely opportunity for mutual benefits for expanding world trade. By pursuing this opportunity we can create vigorous economic growth both at home and abroad.

A Canadian effort of this kind is today's number one requirement. An expanding level of exports is in the national interest. We have, and shall continue to have, large expenditures in the realm of defence, aid to other countries, health and welfare and all those social services that are today a part of our living. Our means for paying for these things is a high level of sales abroad. What better goodwill ambassador of the Canadian free enterprise system have we than the delivery of first-class goods stamped "Made in Canada"? Exports make wages for workers, profits for management and dividends for shareholders. The benefits extend beyond those who make and sell products as well. New exports mean new insurance sales,

new banking, transportation, advertising, retail store sales and all forms of business activity. Free enterprise in Canada, so long as it remains free enterprise, must embark on a tremendous effort for expanding export sales. Certainly competition is strong. Why shouldn't it be? Other people have a right to sell on the market as well as ourselves. New products have appeared and will continue to appear.

Canada enjoys great advantages to be seized upon by our exporters.

First, our word is our bond!

Second, our manufactured goods are second to none!

Third, our delivery dates - we are able to ensure a continuity of supply!

Fourth, we have the natural resources and the energy to develop and process them.

The domestic market is the easier one. Here we have common languages, common currency, finance, and communication that permits instant information. Our exporters move in a less known field, including convertibility of money, delays in communication.

In the Department of Trade and Commerce we have one of the finest foreign trade services in the world, built up over the years. Our trade commissioners provide the link between private enterprise and foreign countries.

In a free enterprise system, the government can supply the introduction and information. The actual selling remains in the hands of the entrepreneur of 1960.

Canada's exports during the first quarter of this year were valued at \$1,291 million and were 22.8 per cent higher than in the corresponding period of 1959, while the quarter's imports were valued at \$1,330 million, higher by 9.3 per cent than a year earlier, according to preliminary DBS figures. Thus, the import balance in the first quarter of 1960 was sharply reduced to \$38.7 million from \$166.2 million in the same period of 1959.

Exports to all countries in March 1960 were valued at \$439.5 million and were 15.3 per cent higher than last year. The March increase compared with gains of 33.5 per cent in February and 21.2 per cent in January of this year over the corresponding totals last year, continuing the uninterrupted monthly year-to-year increases which started in September 1959. Imports from all countries went up 10 per cent to \$476.4 million in March 1960, following an increase of 19 per cent in February and a very small decline in January of this year.

Exports to the United States went up 18.7 per cent to \$768.3 million in the first quarter of 1960, and imports from that country rose 7.8 per cent to \$938.3 million. As a result, Canada's import balance with the United States was reduced to \$170 million from \$223.3 million in the corresponding period of 1959. Between the first quarters of 1959 and 1960, the United States' share of Canada's exports declined to 59.5 per cent from 61.5 per cent, and the proportion of Canada's imports accounted for by that country declined to 70.5 per cent from 71.5 per cent.

Exports to the United Kingdom increased 27.8 per cent to \$209.3 million in the first three months of 1960, and imports from that country rose 37 per cent to \$147.6 million. Canada's export balance with the United Kingdom went up to \$61.7 million from \$56.1 million in the same period of 1959. Over the two periods, the proportion of Canada's exports going to the United Kingdom increased to 16.2 per cent from 15.6 per cent and the share of Canada's imports coming from that country rose to 11.1 per cent from 8.8 per cent.

Exports to the Commonwealth (excluding the United Kingdom) went up 9.1 per cent to \$69.6 million in the first quarter of 1960, and imports from that area increased 26.7 per cent to \$47.5 million. There was thus a reduction in Canada's export balance with the Commonwealth to \$22.1 million from \$26.3 million. Between the first quarters of 1959 and 1960, the share of Canada's export total accounted for by the Commonwealth declined to 5.4 per cent from 6.1 per cent, but the proportion of the Canadian import total coming from that area rose to 3.6 per cent from 3.1 per cent.

Exports to all the remaining countries increased 38.6 per cent to \$244.3 million in the first three months of 1960, but imports from that group of countries declined 2.5 per cent to \$196.7 million. As a result, last year's import balance of \$25.4 million gave way to an export balance of \$47.6 million. Over the two periods, the proportion of Canada's exports going to all the remaining countries rose to 18.9 per cent from 16.8 per cent, but there was a reduction of the share of those countries in the Canadian import total to 14.8 per cent from 16.6 per cent.

Our exporters have responded dramatically to this challenge, but even with these increases, the breakdown of the 1960 figures is as follows:

raw materials	31 per cent
partly manufactured	32 per cent
chiefly manufactured	37 per cent

The market for other secondary goods must be expanded so as to increase our secondary industries, which form the basis of the large employment factors required in this country.

How many people would be employed in the oil industry if we merely extracted crude and sold it? How many additional people are employed because we not only extract but refine, and deal in by-products? The same follows for all our extractive industries in Canada.

It is not enough merely to lift from the ground our raw materials and take them down a couple of steps and sell them. Canada must realize that this is 1960 and get into the selling of the completed product that can result from our extractive industries. I repeat, government merely provides the information, the encouragement and the climate. The free enterprise system in the end must provide the results.

And, so we have the horizons of 1960, not unlike those of 1867. The tremendous potential still exists in the natural resources plus the added worth of our technical know-how. Competition still exists as it will always exist. Trading blocs existed then as now. There has been no era in Canada when the struggle to maintain national sovereignty through economic strength has been easy. Canadians long ago set out on the road of self denial, industry and determination, so as to remain Canadians. The new frontiers of 1960 are not dissimilar to those of 1867.

I quote the Honourable Gordon Churchill, Minister of Trade and Commerce:

"Canada's future standard of living will depend to a great extent on its success in primary and secondary industry. The challenge of keeping Canadian production at a competitive cost rests in the first instance on the shoulders of industry. Labour and management must provide strong and able leadership if they, between them, can keep Canadian industrial costs in line with those of our leading competitors. If this can be done, then it will be possible for us to enhance our trading position in most or all of our markets".

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