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THE CHALLENGE OF RAPID INDUSTRIAL GROWTH

An Address by the Honourable C.M. Drury,
Minister of Industry, to the Canadian
Industrial Development Conference, Ottawa,
March 5, 1968.

...I am extremely pleased that my Department has had a part in initiating this important step towards the possible formation of an association of industrial development officers. Effective industrial development of necessity requires the joint participation of numerous professionals with a wide diversity of knowledge and broad functional responsibilities, and there are compelling reasons why those engaged in this important task should be more closely associated in their endeavours. Although my Department's Area Development Agency has done a good deal of the work on the administrative details of this conference, I understand that the idea of forming a Canadian association has been in the minds of many of you for some time.

Some areas have organized provincial or regional groups, but there has been no national organization which could serve as a clearing-house or as a country-wide forum for industrial developers from coast to coast. It is our belief that a national association, of whatever structure you may decide, could become a vital influence in assisting the performance of industrial development. It is for this reason that the Area Development Agency invited six key individuals representative of the various industrial-development disciplines to examine the feasibility of staging this conference for the purpose of discussing the establishment of such an organization.

We in the Department are grateful, and I know you are too, to those persons who have accepted the challenge of our invitation and who have agreed to act as a steering committee in convening these meetings. These committee members took time from their busy schedules to meet in Ottawa several times to plan the guide-lines and the format for these sessions so that all of you could gather here to discuss the merits of a national association.

Catalytic Role

I should make it very clear that the role of my Department in this, as in other similar endeavours, is to act only as the catalyst in crystallizing an idea to the point where those most directly concerned can carry the experiment to a practicable and workable conclusion. The fact that so many are in attendance

indicates that you are genuinely interested in the stated objective. What is decided upon here will obviously be the result of full and representative discussion and the fact that all points of view have been taken into account in establishing the principles for a new Canadian association.

It has come to be accepted in the "free world" that the aims of national policy should be directed to the attainment of certain goals, including full or nearly full employment, a high rate of economic growth, rising standards of living, an equitable sharing of national income, price stability and avoidance of inflationary pressures. Those of you who have assumed responsibility for development in the industrial sector have a direct role to play in achieving these objectives and few people would quarrel seriously with their validity, at least in general terms.

Achieving our common goal of industrial expansion is not an easy task, however, and it will never be reached in isolation. Consequently it makes sense that developers in both the private and government sectors should be combining their efforts in developing secondary industry. For manufacturing has been and will continue to be an indispensable element in the economic development of our country.

While the importance of manufacturing to Canada's growth and prosperity has been recognized since Confederation, it has been receiving increasing attention in the last two decades, both from the standpoint of growth and employment, as well as of its vital contribution to a rising standard of living.

Secondary Industry Vital

In the past, Canada was almost wholly dependent for economic growth upon the exploitation of its natural resources. Over the years, with the development of new resources such as oil, natural gas, iron ore and forest products, our production and trade in basic resource commodities has become more diversified. In addition, our processing of these commodities before shipment has steadily increased. Nevertheless, the scope for continued national economic growth solely through production and trade in primary materials is definitely limited. Furthermore, total employment continues to decline in many of the primary industry sectors. This means that there will be a continuing decline in the total population in the rural areas of our country, with a consequent explosion in urban growth. If we expect to maintain adequate opportunities for jobs and income for a rapidly expanding population, our production and export base must be broadened, and this can best be done through the expansion of an efficient secondary industry producing for world markets.

To achieve this objective will require not only a substantial increase in capital investment but a significant advance in the technological capability of Canadian industry. In this connection, it is my view that technical superiority in our manufactured products offers the best way to ensure competitiveness and to develop new markets both at home and abroad.

While Canada currently enjoys a relatively small share of world trade in manufactured goods, our exports in this category have, nonetheless, been rising rapidly. In five years, exports of end-products - ready for the market - have increased fourfold, until they now account for better than one-quarter of our foreign sales.

This development, of course, is most encouraging and it highlights the opportunities provided by the Kennedy Round results for us to enlarge considerably our share of international trade in manufactured products - the most rapidly expanding sector of world trade.

We should not, of course, forget that the rapid expansion of our population and labour force, together with a significant rise in employment and incomes, is causing the domestic market to become much more attractive to manufacturers of consumer goods.

Taken in total, these trends represent substantial changes in our business environment and opportunities for growth and development.

Diversification Trend

Although many of Canada's secondary industries remain dependent upon agriculture, mining, fishing and forestry, there has been a continuing trend toward diversification in our manufacturing activities. Specialization in more complex and sophisticated fabrication processes has led to spectacular increases in the value of factory shipments for such items as transportation equipment, machinery, electrical and electronic products and metal fabricated parts and equipment. For example, the rate of growth in production of transportation equipment has been approximately double the growth rate for the manufacturing sector as a whole.

The rapid changes in the resource sector and the increased rate of industrial growth has led to some fundamental changes in our economy. Capital investment, one of the chief determining factors in economic growth, has increased substantially in recent years. In the manufacturing sector alone, we have seen capital expenditures in new and expanded facilities grow from an annual rate of \$1.1 billion in 1958 to a mid-year estimate of \$2.6 billion in 1967. I think these statistics are significant as they highlight the need to increase the flow of investment capital into the manufacturing sector if we wish to maintain the growth trends of recent years in our economy.

In this period we have seen rapid expansion in a number of industries, but spectacular progress has been achieved in several fields which are worthy of note, since the developments concerned have involved a number of multimillion-dollar projects. I am thinking particularly of the expansion of the pulp-and-paper industry in both Eastern and Western Canada, where we have seen new facilities established in several of the Prairie Provinces for the first time, as well as diversification and expansion of activities in other provinces. The chemical, petrochemical and mineral processing industries have experienced a similar acceleration in their rates of growth.

New Industrial Complexes

This growth to which I have been referring has led to the development of new industrial complexes in the Atlantic and Prairie regions which will increase the potential for growth for many years to come. For example, recent proposals for the Strait of Canso in Cape Breton Island indicate that the area could acquire a petroleum refinery and several chemical operations to complement the existing facilities, which include a pulp-and-paper mill, a gypsum operation and a heavy-water plant. Similar examples can be found at Belledune in New Brunswick, Brandon, Manitoba, Prince Albert, Saskatchewan, and Redwater in Alberta.

There is no doubt that, in aggregate, we are experiencing unprecedented growth in terms of employment, capital investment and in total volume of manufacturing. We know, of course, that the growth has not been even and, while most areas of Canada have been enjoying a period of rapid expansion, others have only marked time or even declined in population, employment and income. Consequently, we should be aware that certain basic economic problems still persist, and we must be geared to assist those regions of the country to obtain a more equitable share of economic expansion in the future.

Canada a Major Manufacturer

In the relative short lifetime of this country, we have not only become a major producer of foodstuffs for the world, a supplier of basic raw materials - including minerals, petroleum products and wood products - but have also earned a place as a major manufacturing nation. To achieve this has required great initiative and faith on the part of the entrepreneurs and the financiers. It has required foresight and tremendous engineering skills by producers of power and by transportation companies. Senior governments have had to develop policies which would contribute to a climate conducive to the encouragement of investment in manufacturing enterprises. Municipal governments have had to undertake extensive physical planning to provide the infrastructure required for industrial expansion and for the community facilities made necessary by population growth. Since the manufacturer is an important corporate citizen, combining the roles of employer, taxpayer and producer of new wealth, most cities are now budgeting substantial sums for the fostering of industrial activities. In this regard, municipal industrial commissioners are now not just involved in the business of attracting new industries to their communities but are also deeply committed to community development in all its ramifications. The educational, social, commercial and service facilities required by the employees of sophisticated industry today put a new onus on municipal industrial-development programmes. That these participating agencies and contributing authorities need to be closely allied in their endeavours is obvious.

However, it should be remembered, too, that each of the agencies involved in industrial development usually is not acting from disinterested motives and that quite often agencies with similar motives find themselves in

competition with one another. From the point of view of the larger Canadian picture, this is not a bad thing. The greater the effort put forth, the more likely the nation is to succeed in expanding its industrial capabilities. It does mean, however, that sometimes a competing developer will have to make a broader appreciation of the situation and recognize that, although a new industry may not locate in his specific industrial site, what is good for the region or the province, or even, in some cases, for a neighbouring province, is still good in the long run for his area of responsibility.

Advantages of Proper Planning

A noted authority on industrial development has suggested that basic to the whole idea of an industrial-development programme is the premise that a dynamic and well-organized effort can bring about more industrial development of an economically-sound nature than would otherwise occur. The conception of active industrial development is based on the conviction that there is much that a country can do to remove barriers to the growth of industry. It can create positive incentives for the development of industrial technology while at the same time assisting in finding industrial opportunities, developing them and attracting the interest of those who can supply the industrial capital, equipment and skills which are needed. Thus, an industrial-development effort which is properly organized can mobilize resources, stir the imagination and the spirit of people and advance industrial expansion. The basic premise, with which I entirely agree, is that, with the proper planning and strategy, this country, its provinces and its communities, can all contribute to the growth of dynamic and viable manufacturing industries.

Federal Programmes

I might just mention in this connection that the Department of Industry has launched a number of programmes which are directed towards increasing and improving this country's manufacturing capabilities. While time does not permit me to outline all of them, I might list a few. In the field of research and development, the Programme for the Advancement of Industrial Technology (PAIT) and the Industrial Research and Development Incentives Act (IRDIA) are proving to be of great effectiveness. The Automotive Programme has injected new vigour into Canada's automotive industry, as production, employment and export figures attest. The Department has recently announced the introduction of two programmes related to the Kennedy Round decisions. The General Adjustment Assistance Programme and the Machinery Programme. The Building Equipment, Accessories and Materials Programme (BEAM) marks the beginning of another key development in the construction industry. Our Department will continue to study the needs of industry and will attempt to formulate other programmes designed to alleviate problems and increase efficiency, with respect both to production and marketing. We shall also try to represent the best interests of the manufacturing sector of the economy in developing policies which will assure its continued expansion on an efficient basis.

These are just a few of the ways in which the Federal Government seeks to encourage industrial expansion in Canada. I know provincial governments and regional-development organizations are all creating programmes to achieve this

same objective. And it is important that they should. Individually and collectively, the members of this audience must be aware of the challenges which face manufacturing in Canada and of the influence that you have in assisting industry to meet such challenges.

We are fortunate to be living in a vibrant, growing country, rich in resources and with great growth potential. Those of us in the industrial-development field, therefore, have a responsibility to ensure that our resources are utilized in the best possible manner to ensure that we keep the country economically strong and healthy. It is only in so doing that we can enhance the nation's standard of living and also protect the fundamentals of freedom of enterprise, freedom of competition and all the other economic freedoms we enjoy.

This will not happen automatically. We, as a country, must channel our enthusiasm, initiative, resources and enterprise in the right direction.

All of us have an input to make at some stage of this process. Consequently, each of you (and, I suggest, all those engaged in industrial development) has a responsibility to be well informed about the changing needs of industry, on new government programmes and on new commercial policies. People in industrial development must be able to adapt to new trends in order to exploit changing situations. There is a definite need for all of us to keep abreast of such conditions and to keep up to date on techniques and methodologies which other countries are employing in their industrial-development programmes. There is thus the continuing need to expand the competence of the industrial-development profession. In addition to that, new people must be brought into the profession and must be oriented and trained in such a manner that this important industrial-development function can be carried out at the most professional and ethical level possible.

It could be that this will be one of the vital functions of any new association, and I shall, therefore, be keenly interested in the decisions of these meetings....

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