

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

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Déclaration

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NOTES FOR A SPEECH BY

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MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY

AND MINISTER FOR INTERNATIONAL TRADE,

TO THE NATIONAL SERVICES CONFERENCE

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Ms. Cohen, head table guests, ladies and gentlemen, I would like to thank all of you for your participation here today. I would especially like to thank Dian Cohen for chairing the Conference, and Mr. Ronald Begg, Mr. Wayne Bowes and Ms. Gail Cook-Bennett, for chairing the three workshops. I am looking forward to listening to their report on your discussions this morning.

It is a pleasure for me to speak at the first of the six National Services Conferences, which bring together, for the first time, the people who make up the "invisible giant" of our economy -- the service industry.

This Conference today, and the conferences to follow in Halifax, Montreal, Winnipeg, Edmonton and Vancouver, are an opportunity for you to discuss the challenges your sector faces and the role your sector plays -- and can play -- in the Canadian economy. Because of the size and importance of your sector to the Canadian economy, it is fitting that this should be the first among many consultations with all sectors over the next few months as part of the Prosperity Initiative.

This conference is also an opportunity for you to make the invisible giant more visible -- not only to the public but also to yourselves -- to challenge the perception that "if it doesn't have a smokestack, it's not an industry," and to put to rest any myth about the nature of jobs in the service industry.

Why do I call it the invisible giant? First, because too few Canadians realize its contribution to our standard of living. Yet, in 1990, the value of services produced in Canada was more than twice the value of goods. The service industry is now Canada's major employer, providing employment for 8.9 million Canadians -- 71 per cent of the country's labour force.

Business services -- companies that provide professional, technical, financial, transportation and distribution knowledge, expertise and skills to other businesses -- drive the sector. They account for almost half the value of total service sector production and employ about 35 per cent of Canada's labour force. The service industry, overall, in the last decade, has created 9 out of every 10 new jobs in Canada -- a record that is expected to continue in the 1990s.

Another measure of the importance of service industry is its contribution to the gross domestic product (GDP). And the contribution of the invisible giant is hefty -- 65.4 per cent of the GDP.

Despite this evidence, until now, too few Canadians -- and their governments -- have recognized the giant in their midst. Because your sector makes such a hefty contribution to the health and competitiveness of every other sector, that contribution is largely invisible, which is why we have called the service sector an invisible giant.

The quality, expertise and technological capacity of our service sector is clearly an essential part of our competitive position as a nation.

This government has recognized the importance of the service sector since 1984. However, we also realized that the collection and analysis of statistics on the service sector was inadequate. To begin correcting this, the government initiated, in 1986, the Service Industry's Studies Program. Over 80 reports from this program paint a picture of a vitally dynamic sector of the Canadian economy whose growth is an integral part of the industrial development of our economy. In short, they showed that a competitive economy is dependent on competitive services. To improve our understanding of this sector, I am pleased to announce that the government has instructed Statistics Canada to develop new information about this sector.

Few Canadians realize the importance of services to the growth of international trade. At least 15 per cent of Canada's international trade is in services, and the dollar value for worldwide trade in services was more than \$600 billion in 1989. Exports in commercial services have grown at twice the rate of merchandise exports since 1980.

The government is making every effort in international fora to ensure that that growth will continue. For the first time ever, services are included in the Multilateral Trade Negotiations (MTN). Canada is pushing hard for multilateral disciplines to govern trade in services, and for greater access to other markets in such key areas as financial services, telecommunications, computer services and a range of professional services, to name a few. Clearly it is not an easy task with more than 100 countries at the negotiating table, but I am hopeful that we can get a good agreement.

I have just returned from a meeting of Asia Pacific countries in Seoul, where the Asia Pacific Economic Co-operation (APEC) Conference made a strong declaration on the MTN. I believe that the outcome of this meeting demonstrates that the political will exists to overcome the remaining stumbling blocks in the coming weeks, and recent EC-U.S. discussions on the trade talks are also encouraging.

Canada's interest in expanding access to services markets is also reflected in the successful inclusion of services in the Free Trade Agreement (FTA) with the United States.

Services will also be an important component of a North American Free Trade Agreement (NAFTA), where good progress is being made in a number of areas. Our negotiators are consulting with the various service sectors, among others, in developing our negotiating positions in these talks.

To meet the challenges of growing international markets, Canadian firms must be competitive. Unfortunately, there are many areas where we are not. Since 1961, our deficit in services trade has risen to \$12.6 billion from \$457 million.

It's not that we can't compete. If you think Canadian service companies can't be world beaters, talk to Mike Miller. He's the President of Safety Boss Ltd. of Calgary -- a company which may be in the next edition of the *Guinness Book of Records*.

Safety Boss was one of the first four companies Kuwait hired in March to put out the 650 oil well fires left burning in the country after the Gulf War. The company capped 178 fires, more than any of the other companies -- among them some of the legends of oil well fire fighting.

We can compete in international markets. And we do -- often by entering into partnerships. That's what InfoCorp Computer Solutions Ltd. of Winnipeg has done. InfoCorp produces PC-based point-of-sale software for retailers. Earlier this year, InfoCorp signed a marketing deal with ICL/Fujitsu under which ICL/Fujitsu will become the exclusive distributor of InfoCorp's software in the Asian market.

Too few Canadians are aware of the hard reality that the world economy is changing, that we cannot continue to rely on our natural resources to maintain and improve our standard of living and that it is crucial to change the way we work and compete.

That is why we are inviting Canadians to work together to develop a plan to create a globally competitive Canadian economy.

Today, I want to emphasize a particularly vital element of competitiveness. I want to include in any discussion of competitiveness the word, the concept and the practice of partnership.

Some may be surprised at linking competitiveness with partnership.

Some see competitiveness as dog-eat-dog conflict. While such conflict is inevitable in a dynamic market economy, this does not mean that unremitting confrontation is a good strategy for success. I want Canadians to look at another strategy, namely, partnerships.

Individual drive and entrepreneurship are key elements in competitiveness. They always have been. They always will be.

But they are not the only elements. Competitiveness does not mean every one is on his or her own. Competitiveness is also

co-operation; partners joining together to take advantage of each others' strengths to build market share.

Competitiveness today is built on partnership. Many of you are in the computer industry; many of you pay close attention to what happens in that exciting, dynamic industry.

When IBM and Apple joined forces, was that competitiveness or partnership? When software giant Microsoft and computer giant Digital Equipment Corp. form an alliance, is that competitiveness or partnership?

When chartered banks and brokerage firms get together, is that competitiveness or partnership?

When airline and hotels and car rental companies co-operate on travel and tourism packages, is that competitiveness or partnership?

The answer is yes: it is partnership for competitiveness. It is partnership in which each partner builds on the strength of the other to build market share, to open new markets, or to change conditions in a flat market.

Partnership is the hub and partners the spokes in the wheel of prosperity. Partnerships are the driving force that will make Canada competitive in the global economy. Before we can make partnership a force in our international competitiveness, we have to understand the reality of our place today in the global economy.

On the face of it, the reality is good.

Canada is the world's seventh-largest economy. We have the world's second-highest standard of living. Over the last 30 years, our job creation rate has been the highest among the nations of the Organization for Economic Co-operation and Development (OECD).

But dig into that reality and we see disturbing trends.

We aren't keeping up with the changing global economy. Our productivity isn't growing as fast as it used to and, in the last five years, it has stalled. It isn't growing as fast as our competitors.

We continue to rely heavily on the resources of our land and seas. That reliance is challenged by crumbling commodity prices, by global competitors who produce the same resources at lower cost, and by innovative competitors who develop substitutes that replace our resource commodities. Canada's share of world trade in natural resources is increasing while our international

competitors move to develop economies based on knowledge and innovation.

The effects of our slipping productivity and our reliance on natural resources are showing up all around us. For the first time young Canadians face the possibility of a lower standard of living than their parents. Nearly two-thirds of Canadian families are two income-earners. Many struggle to stretch real disposable income which is not much better than it was 20 years ago -- all the while remembering that their parents lived comfortably on one income.

The prospect of a generation that is not going to be as well-off as the present generation, the financial struggles too many Canadians face every day -- surely they are warning enough that we must change our ways.

We can start by casting off the myths about competitiveness. That done, we can build a new competitiveness grounded in the traditional Canadian values of co-operation and teamwork in tackling and solving common problems.

That is what the Prosperity Initiative is about: building partnerships for a Canada that is better able to compete in the global economy.

Prosperity in labour-management relations is recognizing that while conflict is an inevitable function of that relationship, both parties share an interest in the prosperity of their common enterprise. So both labour and management must find ways to broaden their partnership and reduce confrontation. The recently established Canadian Labour Force Development Board is a good example of just such a partnership.

The spread of Total Quality Management in all sectors of our economy which results in labour and management working together to produce a higher quality product or service will also foster development of positive partnerships.

Prosperity is partnership between producer and service industry suppliers. It is long-term relationships built on a thorough understanding of each other's needs, a common desire for quality, an understanding that the prosperity of both depends on the prosperity of each.

Prosperity is partnership between businesses in different sectors and in different markets. It is taking the strengths of one and combining them with the strengths of another to make an unbeatable competitor. It is forming joint-venture companies, back-to-back deals for exchanges of market know-how, access, investment and technology, cross-licensing, co-promotion,

co-operative marketing and manufacturing, personnel exchanges, and co-operative research and development (R&D).

That is how a St. John's company, RDS Engineering, has won engineering services contracts with Saint John Shipbuilding for the Canadian Patrol Frigate Program and for the utility shaft for the Hibernia gravity-based platform.

RDS's strength is computer-aided drafting and design (CADD) services based on technology RDS acquired through a technology transfer from a United Kingdom company.

Another example of co-operation and partnership among different sectors which benefits every partner, is the creation of the Professional Logistic Institute of Canada. Men and women from the public and private sector from across Canada who are involved with the movement of materials and information from their source to destination have joined together in the Institute.

Through the efforts of 10 different industry associations and with the co-operation of two federal departments, the Institute involves employers, employees and educational institutions to facilitate the creation and recognition of the logistics profession.

Partnership is private-sector companies working with schools, universities and community colleges to create a fully literate society. It is working with educators and using their skills to develop programs that benefit learners of all ages. Partnership is working with the research and development labs in Canadian universities to develop new products, new processes and new ways to add value to existing products and services of their companies.

Partnership is working with all levels of government to make our towns and cities better places to live and work; designing innovative training programs; and provincial and federal trade and industry officials helping to bring businesses together in partnerships and alliances to develop national and international markets.

This is not some sort of competitive Utopia that I am talking about. It is what many other countries are striving for and succeeding in better than we are. And I am not suggesting that we put aside the other key parts of competitiveness -- innovation, finding new markets, finding and applying new technology.

I am saying that partnership is an integral part of every aspect of competitiveness, an often-neglected part, and one we should include and emphasize in building competitiveness.

Many Canadian companies have already built partnerships -- partnerships of all kinds -- to enhance their competitiveness.

Take, for example, the DMR Group Inc., one of Canada's most successful companies in computer consulting services. Founded in Montreal 18 years ago, the company now has 2,200 employees throughout Canada and the U.S. as well as Australia and Europe. A large part of its business and growth strategy involves active "partnering" with several other companies, both Canadian and foreign.

With sales in 1990-91 of \$200 million -- of which nearly half were made outside Canada -- DMR offers a range of professional services in information and technology management. Last year it launched an ambitious, four-year, \$38-million R&D partnership project.

This partnership -- involving 15 public and private-sector partners -- is developing the "macroscope," a high-tech means of identifying the methods, software tools and training programs required for effective management of information technology. DMR is also a major participant in the European Advanced Software Technology project.

As Pierre Ducros, Chairman of DMR, explains it: "Partnership and participation -- these are among the key ingredients of our competitiveness, and growth."

So let me throw out the challenge to you directly:

- How many of you or your clients discuss problems and solutions extensively with your staffs?
- How many of you develop your new services and approaches with the full co-operation of, and in consultation with suppliers and clients?
- How many of you have formed strategic alliances with foreign companies in a distant market to share a technology or build a new market?
- How many of you have enlisted the support of the colleges and universities in your communities in developing new training programs and in tapping into new ideas?
- How many of you travel to other countries to meet with companies in your industry or potential suppliers/customers to hear what is going on there that might help your business, and therefore, your competitiveness.

Partnership can be an integral part of a new Canadian competitiveness built on co-operation and partnership. The creation of the Canadian Association of Service Industries, which Mr. Robert Ferchat and others formed with the co-operation of Industry, Science and Technology Canada, is an excellent example of partnership between the public and private sectors. The government was pleased to be able to provide some financial support for the creation of this important new association.

Our challenges are urgent. Our Prosperity Initiative is making the best use of the time we have. It is making sure that we get the solutions right, and that we get them right the first time. The Prosperity Initiative is an opportunity for Canadians to work together to develop a plan to create a globally competitive Canadian economy.

We Canadians have proven, in the past, and we prove every day that we can meet challenges, and meet them successfully and convincingly. Canadians have the skills and the technology to meet the challenges of the global economy but we must continue to upgrade them. The most important challenge we face is how to organize ourselves better to use our skills and our technology more effectively.

That is what the Prosperity Initiative is all about: working together as a team -- through partnership -- for greater competitiveness in the global marketplace for a stronger and better Canada.

Thank you.