

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

Déclaration

91/52

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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 CONFERENCE BOARD OF CANADA

OTTAWA, Ontario
October 30, 1991

Thank you for your kind introduction, and thank you, ladies and gentlemen, for this opportunity to join you at this important Conference on Total Quality Management. Over the years, events like this organized by the Conference Board of Canada have provided an important forum for business leaders to consider the challenges facing the Canadian economy.

The luncheon is held in conjunction with the Canada Awards for Business Excellence. We have with us today the finalists. The trophy winners will be announced at a gala dinner tonight. But it is clear that all these finalists are winners. That was certainly evident yesterday when each had the opportunity to demonstrate their company or product to His Royal Highness the Prince of Wales.

This Conference is also the occasion for the release of the findings of an executive study tour conducted by the Conference Board. In past years, the study has been based on the experience and expertise of Canada Awards for Business Excellence winners. Last year's study was entitled "Total Quality Management: A Competitive Imperative."

In the months that followed the report's release, many Canadian corporations and institutions have responded to the study's conclusions. According to the report, quality has evolved from its early definition of ensuring that a product consistently met a specified requirement. Quality, today, is a much broader concept engaging all aspects of an organization -- and its suppliers -- in an effort to increase value for the customer. Quality is perceived by the customer.

This forum is also an appropriate finale to Quality Month, and I would like to take this opportunity to commend the organizers of Quality Month for their efforts to focus national attention on this increasingly important issue.

Today's Conference holds special importance for the Government of Canada. I can think of no better audience with which to introduce to the business community the new Prosperity Initiative that I launched in the House of Commons yesterday.

You are the men and women with the leadership qualities, the sense of vision, and the ability to innovate that will be essential to ensuring Canada's prosperity in the decades to come. You understand the full measure of Canada's competitive challenge. You know that the way in which we respond to that challenge will determine our continued prosperity.

The people of Canada are already feeling the impact of that challenge. Nearly two-thirds of Canadian families have two income-earners. And yet, they struggle to make ends meet when their parents lived comfortably on one income. They feel the competitiveness challenge when they try to stretch real wages that are not much better than they were 20 years ago. And why?

Because, the productivity of companies -- their ability to afford wages -- has not been growing recently. For the first time in our history, Canada's young people face the prospect of having a lower standard of living than their parents did.

Canadians feel the impact in their everyday lives. They see it in cross-border shopping. And they know that companies struggling to compete in a tough competitive world have been laying off their employees to cope. These are warning signals we ignore at our peril. They tell us that Canada must make some tough choices if we are to preserve the prosperity that has given us the second-highest standard of living in the world.

We can look at the history of other countries that have seen their prosperity and their standard of living drop; countries that began this century full of promise; countries whose resources and skills made them contenders to be leading industrial nations. Many of these countries failed to live up to that promise. They failed to meet the challenge of change and competition. Rather than a legacy of prosperity and leadership in the world economy, they leave sad histories of social, political and economic upheaval.

Ladies and gentlemen, let that not be the history of Canada in the 1990s.

We worry about some of the prospects before us. But we have key advantages that will help us avoid economic and social catastrophe. For one thing, we have time to react. Not a lot of time, but enough to allow us to decide on the course of our future. We have options and choices. But we must consider these options while there are still choices to be made.

Canada still has the world's seventh-largest industrial economy. That in itself is a remarkable achievement for a country that is the 31st in population. Over the past 30 years, we've achieved the second-highest rate of growth and the second-highest rate of investment growth among the G-7 countries. Over the same time period, Canada achieved the highest rate of job creation in the Organization for Economic Co-operation and Development (OECD).

These are the factors that help give us time to choose our course for the future. But past performance is no guarantee for future prosperity. We must not leave the tough decisions for future generations who may not have the luxury of choices, and who may not have time to consider possible avenues.

I know that all of us in this room share a commitment to a prosperous Canada. All of us here are dedicated to the economic growth and the industrial competitiveness that have been the keys to the success of the businesses we will honour tonight. All Canadians -- no matter from what region, no matter of what

political affiliation, no matter from what walk of life -- all Canadians have an enormous stake in the way in which we respond to the challenge of a fiercely competitive global marketplace.

All Canadians must be part of the solution to Canada's competitiveness. It is not enough to lay the responsibility at the feet of government, or business, or the unions, or the education system. The challenge is complex. Solutions are many and varied. We will not secure our future prosperity by invoking one single change that will solve our economic problems. Rather, we must implement many changes which will improve our competitive ability.

The solutions will build upon the Agenda for Economic Renewal that has been in place since 1984. The Agenda has set the environment for the choices we must make now.

Deficit reduction, deregulation, and privatization; modernizing and streamlining Canada's intellectual property laws; the removal of the federal sales tax on manufacturing; trade promotion through the General Agreement on Tariffs and Trade (GATT), the Canada-U.S. Free Trade Agreement (FTA), and negotiations for a North American Free Trade Agreement (NAFTA): these have all helped to clear the ground so that we can begin -- together -- to build a strategy for prosperity.

I am particularly delighted to announce that two very distinguished Canadians, Mr. David McCamus and Mme. Marie-Josée Drouin, have agreed to act as co-chairpersons of the Steering Committee, in its tasks of managing the public consultations and developing a plan of action. The Steering Group will be made up of representatives from the business, academic, labour and scientific communities. The Group will consult with communities across the country, as well as provincial governments and other national organizations. In addition, it will benefit from specific industry discussions conducted by Cabinet Ministers.

But it is essential that we forge a new alliance between all parties to steer the economy in a direction beneficial for all. The competitive challenges we face cannot be overcome by depending on the creativity, skills and ingenuity of any one group in society. We all -- employers, employees, students, teachers, parents and, yes, even government -- we all are affected by the competitive challenges. We are all stakeholders in finding effective ways of meeting the challenges.

Why must we consult? Why not act right now? Aren't there programs and policies that the government can implement right away? Yes there are. And yes, the government is indeed moving quickly on a wide number of areas: Canada Scholarships to encourage more of our brightest young minds to pursue studies in natural sciences and engineering; networks of Centres of

Excellence that unite business, government and university research facilities in grids that stretch across the country; research and development (R&D) tax credits that are among the most generous in the world; negotiations to open up a North American market that will be the largest in the world.

I could go on. But my purpose this afternoon is not to extol what government is already doing. The Prosperity Initiative wants to create a plan of action on what we all can do. By coming together to analyze problems and making recommendations for solutions, all Canadians will be able to gain a better understanding of the role that each of us must play.

Many of you here today have well developed views on how to improve our competitive position. But labour or other groups may have different views. Canadians should use the public consultations to bring differing views together and build a consensus, so that Canada can be more united in our approach as we deal with the challenges that lie ahead.

This goes back to some of the basic premises of Total Quality Management. We all feel more committed to working toward solutions if we have been consulted in defining the problem and assessing the options.

Like any good Total Quality Management company, Canada must empower the people and the organizations that are the key to improved competitiveness. The Prosperity Initiative does just that: it seeks the input of the people of Canada in building a plan of action; and it will depend upon the action of all groups to put that plan into action. We don't want to take long. We have asked the Steering Group to produce a plan of action by the end of next summer.

To focus the deliberations, the Government of Canada has issued two discussion papers. They identify areas in which Canada must improve in order to compete effectively, efficiently and profitably in the global marketplace.

One, "Learning Well ... Living Well," has been released by my colleague, the Honourable Bernard Valcourt, Minister of Employment and Immigration. It addresses the many challenges we face in creating a culture for continuous learning that is a key to our prosperity in a knowledge-intensive economy.

The other discussion paper, "Prosperity Through Competitiveness," analyses Canada's challenge in terms of five areas. The first of the five is a commitment to learning -- continuous learning.

Canada's public expenditure on education as a percentage of gross national product is among the highest in the industrialized world. But public expenditure alone cannot support the weight of

Canada's learning requirements. About 70 per cent of Canadians now in the workforce will still be working in the year 2000. But 85 per cent of the technology that will be in place by then has not been invented yet.

That tells us that there will be an enormous demand upon acquiring new skills in this decade. How does Canada fare in training? In terms of the effectiveness of company training programs, we rank 20th in the OECD -- near the back of the pack. Our companies spend half of what American companies spend on training, one-fifth of what Japanese companies spend, and one-eighth of what German companies spend.

Today, only 23 per cent of new jobs require 16 or more years of education. By the year 2000, that will nearly double to 40 per cent. And nearly two-thirds of all new jobs will require a high school education. How are we going to be ready for the learning demands of the workplace if we continue to see 3 out of 10 high school students drop out? Many of them join nearly 4 in 10 adult Canadians who have significant difficulty with everyday math and reading.

On the other side of the coin, Canada has one of the highest university enrolments per capita in the world. That is good news. But the bad news is that, in a world dominated by technological change, the enrolment in engineering and natural science programs is declining as a percentage of total enrolment.

This brings me to the second of the five areas: science and technology.

Canada ranks with Italy as the G-7 country that spends the lowest percentage of output on R&D; Germany, Japan and the U.S. each spend at least twice as much as we do. But at the same time, Canada's R&D spending runs ahead of OECD averages in the electronics, aerospace and computer sectors, and private sector R&D in this country has grown by 6.5 per cent per year, in spite of the recession.

But we still have a long way to go. Only 4 manufacturing companies in 100 are doing any research at all. The top 10 companies account for nearly 40 per cent of private sector R&D spending. To perform research and development into new technology is one thing. Equally important is our ability to use new technology.

But the rate of application of new technology to industrial processes in Canada is low. A 1989 survey found that less than one-half of Canadian manufacturers had implemented none of some 22 leading manufacturing technologies, such as robotics and computer-aided design, that provide the key to productivity in the 1990s.

The third area the Prosperity Initiative will focus on is financing growth: the need for capital investment.

The cost of funds is important, and the government has a role to play in helping lower interest rates. The federal deficit is under control. We have one of the soundest commercial financial frameworks in the world. All this helps. We have also created the third-lowest rate of taxation overall in the G-7. We are a bit behind the Americans on the tax side, but are ahead of them on the social benefits side.

But more can be done to lower the cost of capital in Canada. And more Canadian firms must explore the opportunities for equity financing -- financing that can lead to strategic partnering on many levels and can secure the technology of a foreign investor or the new markets of a partner.

The fourth area where Canada's competitiveness must improve is in its domestic market. Government plays a major role here. It must regulate effectively and efficiently. And governments in Canada must continue their efforts to bring down the interprovincial barriers to trade -- barriers that cost Canada \$6 billion every year. We need a true Canadian common market and a stronger economic union for the prosperity of all Canadians.

Section 121 of the Constitution Act of 1867 has governed interprovincial commerce since Confederation. Now is the time to modernize Section 121 in order to enhance the mobility of persons, capital, services and goods within Canada.

We are proceeding on two tracks to improve Canada as an economic union. One is through the proposals for a new Constitution that is now before the Parliamentary Joint Committee that is touring the country to hear from Canadians.

But the endeavours to reform the Constitution will run in tandem with my efforts to work with my provincial colleagues to remove some of the 500 barriers to interprovincial trade that exist in this country. We have been making progress in such issues as sales of beer and wine.

The final of the five areas that the discussion paper "Prosperity through Competitiveness" addresses is trade.

More Canadian businesses must learn to benefit from tapping export opportunities. Despite the proximity to the enormous markets in the U.S. and the Pacific Rim, many Canadian firms find it difficult to establish a presence abroad. They must learn to broaden their views about trade, and what trade entails. The time has passed when you could sit at home and fill export orders. If your company is to prosper in the international marketplace, you have to become established in your markets.

You might have to look at possibilities for strategic alliances, joint ventures and sub-supplier co-operation. You have to consider outward investment through acquisition or the formation of joint venture companies. Back-to-back deals offering exchanges of market expertise and access to technology have all become part of export strategy.

And on top of it all, to succeed in the global market, companies must have an unrelenting focus on quality.

As the Conference Board has outlined in its study, quality goes much beyond traditional quality control. Providing customer satisfaction today entails employee participation and empowerment, teamwork among all parts of an organization, and continuous improvement of production and other processes.

This year, the Conference Board's report, "Customer Satisfaction Through Quality," was compiled following Canada's first International Executive Study Tour on Total Quality Management. Fifteen senior business executives toured organizations in the United States, Europe, and Japan that had earned solid reputations for quality.

Some of the 14 companies studied have moved beyond "satisfied customer requirements." They speak of "customer delight" -- going beyond stated requirements. These are the standards of quality that Canadian business must meet if it wants to tap into the international marketplace. Some are already there. A recent international study by the American Quality Foundation scores Canada highly in such areas as customer satisfaction as the primary focus of planning. In the study, Canadians do not fare so well in such areas as involving a majority of their employees in improving quality.

Ladies and gentlemen, the time has come to improve the quality of Canada's overall economic performance. Let us take a lesson from so many surveys and studies conducted by the Conference Board, the American Quality Foundation and others.

Just as Total Quality Management in a corporation requires the input and commitment of all employees, so the building of a prosperous Canada for the next century will require the input and commitment of all Canadians.

Canada is a very fortunate country. If we have some problems, we also have the tools at hand to solve them. We have the essentials: good schools and universities, trained and motivated workers, good infrastructure and many successful companies. Our greatest challenge is to organize ourselves to use these tools most effectively.

Building partnerships will be crucial. Changing attitudes will be half of the solution. Our success will require the co-operation of many individuals and groups, some of whom have profound differences. All these differences will not be resolved. We need to work together to identify areas where common ground exists, build a consensus, and take action. The Prosperity Initiative is our way of seeking that input. It is a means of building that commitment.

Mr. David McCamus and Mme. Marie-Josée Drouin head a Steering Group which will be crossing the country seeking the advice on the future of the economy at the same time as the Joint Parliamentary Committee will be seeking the views of Canadians on the future of the Constitution.

Both issues are vital for our future. Both are intimately inter-related. And I have every confidence that, when the Conference Board of Canada hosts this luncheon next October, we will be able to celebrate the gains we have made in working toward a prosperous and united Canada -- a total quality Canada.

Thank you.