

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

92/23

CHECK AGAINST DELIVERY

## NOTES FOR AN ADDRESS BY

**THE HONOURABLE MICHAEL WILSON,**

**MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY**

**AND MINISTER FOR INTERNATIONAL TRADE,**

**TO THE BUSINESS COUNCIL OF BRITISH COLUMBIA**

**VANCOUVER, British Columbia**  
**June 4, 1992**

Thank you, Jim,<sup>1</sup> for your kind introduction and thank you, ladies and gentlemen, for this opportunity to join your conference on Free Trade Within Canada -- something upon which Confederation was founded. Indeed, the Fathers of Confederation included elimination of tariffs on interprovincial trade as a key part of the Confederation agreement. The record since then, however, has seen a sad history of building non-tariff barriers to trade at home.

This history was on the mind of the Rowell-Sirois Royal Commission when they suggested, in their 1940 report, that, "There should be complete freedom of trade and commerce throughout Canada; complete freedom of investment; complete freedom of movement." That was 1940.

Much has changed since then. The population of Vancouver was 350,000 in 1940; it is now over 1.5 million. The population of Canada has grown from less than 12 million to over 27 million. We have changed. But over half a century later, we are still working to achieve freedom of trade and commerce as recommended in the Rowell-Sirois report. However, we are now beginning to see action and, by March 31, 1995, the vision is slated to become reality.

There are literally thousands of steps between today's reality and the vision of free trade within Canada in 1995. Many of those steps will have to be taken by governments, but most of them will involve you, your way of doing business and the markets you serve.

I hope that it will mean that we have opened up market access to the most important market served by Canadians -- Canada! Without your commitment, however, we cannot reach that goal because governments alone cannot bring the barriers down.

This morning I would like to talk about those steps. They are also steps to a prosperous, competitive Canada.

First I'd like to talk about the problem of interprovincial trade barriers and how the federal and provincial governments are setting about to eradicate them. Most importantly, I want to call upon your assistance and advice so that we can keep the momentum going. I need your help to ensure that, by 1995, our vision -- and that of the Fathers of Confederation -- becomes a reality.

During the Community Talks, which were a key part of the consultations related to the Prosperity Initiative launched by

---

<sup>1</sup> James Matkin, President and Chief Executive Officer, Business Council of British Columbia.

the government last fall, a recurring theme was the removal of interprovincial trade barriers. Canadians see these barriers as handicaps, not only to doing business but also to their ability to move around this country and take full advantage of job and educational opportunities, and as obstacles to their enjoying price-competitive Canadian goods and services as consumers. They are fed up and are demanding the removal of all barriers to the free movement of goods, people services and capital.

Interprovincial trade barriers are familiar to all of you. Let me give you an example from the wine industry in British Columbia and Ontario.

In the Okanagan Valley, Calona Wines produces wines from British Columbian grapes and imports wine from other countries for bottling. Calona has no problem selling its product in the Western provinces. But Ontario won't allow imported wine bottled in British Columbia to be sold in Ontario. What's more, the province treats wines produced outside Ontario the same as wines produced in the U.S. The result? Calona cannot build an economy of scale.

Meanwhile, Ontario wineries cannot sell their products in British Columbian wine stores. They must be sold through liquor boards at a higher markup than local wineries are charged, a regulation that led Cartier Wines and Beverages of Mississauga, Ontario, to establish a winery in British Columbia.

Now, because of barriers, Cartier has three wineries producing two million cases of wine. Its foreign competitors have one plant producing two to three million cases. The result? Higher overhead -- higher per-unit costs compared to the U.S. producers, which makes it tough for Cartier to compete. And unlike Calona, their American competitors can sell to every province in Canada.

By 1995, when the full effect of the Free Trade Agreement is in place, out-of-province wines will be marked up higher than, say, Californian wines. Similar stories could be told about industries and professions throughout the Canadian economy.

More and more Canadians are becoming aware of these barriers and they want to know why you can't use bricks made in one province on construction sites in another. They are tired of bearing the burden of paperwork that makes it at least as difficult for British Columbians to ship logs and woodchips to Alberta as to Japan.

They are amazed when they hear that local hospitals often find that they have to go to foreign markets to buy goods. Why? One reason is that local-preference procurement policies give foreigners a price advantage over Canadian products.

Canadians intuitively know the costs of internal trade barriers. A soon-to-be-released report by the Conference Board, sponsored by Industry, Science and Technology Canada, outlines those costs:

- inefficient production processes designed to overcome obstacles rather than meet market demands;
- lost economies of scale;
- increased administrative costs because there is little harmonization or reciprocity in provincial regulation.

Canadians are demanding change.

David Morton, Chairman and Chief Executive Officer of Alcan, says, "Without the abolition of interprovincial trade barriers, we are fighting world competition with one hand tied behind our back."

Tim Reid, President of the Canadian Chamber of Commerce adds, "These barriers are speed bumps on the road to progress. They may have made sense to someone at some time, but no longer. They restrict domestic market penetration and investment, and discourage links with firms in other regions." Mr. Reid's organization estimates that interprovincial barriers affect as much as 15 to 20 per cent of the production of goods and services in Canada.

The Canadian Manufacturers' Association estimates that there are some 500 barriers to interprovincial trade in Canada costing us some \$6.5 billion a year. The hidden costs are even higher but cannot be measured.

You cannot measure lost confidence or the loss of entrepreneurial drive caused by the burden of these regulations. Clearly, we must eliminate these barriers for a more competitive and prosperous Canada.

A Chamber of Commerce study shatters the myth that barriers protect industry, or that industry wants to maintain the status quo. It found that only 5 per cent of industry benefited from barriers, and that 95 per cent did not. And what about their customers? Canadians see the costs of barriers in the cost of products they buy. It's no accident that Canadian products, which have to compete on price alone, are not well positioned to compete with those coming from markets that haven't restricted their market size by internal barriers. Canadian consumers benefit, but at what cost in lost potential for Canadian jobs?

The major obstacle to removing barriers, according to the Chamber survey, was not special interests who wanted to protect a privileged position. It was a lack of commitment by governments!

That is what the Canadians who were surveyed thought was the cause of interprovincial trade barriers: government inaction.

This morning, I have come to assure you that the period of inaction is over. We are moving, and we need your help to keep the momentum building toward a new era -- an era of free trade within Canada.

The Prime Minister and premiers agreed to implement the Intergovernmental Agreement on Government Procurement, and it came into force last April 1. It commits federal, provincial and territorial governments to open to all bidders any contracts for goods purchased by government departments valued at over \$25,000, covering some \$6 billion of procurement. The agreement includes provision for a dispute-settlement process and annual reporting by governments.

This is just a first step. We must build on the agreement so that it eventually includes all procurement of goods, construction and services by the Canadian public sector. What would such an agreement mean for business? It would mean fair and open competition for contracts that constitute billions of dollars of procurement.

For small business, it could mean relatively easy access to a vast new market. For large- and medium-sized business, it could give an incentive to expand into new markets in Canada, which they might otherwise not serve without this entrée. And for the consumer? It could mean more competition in the marketplace and more choice of quality Canadian goods and services. But aside from all these real benefits to business, the consumer and the economy, what would it mean for the taxpayer? It could mean significant savings of tax dollars because of more competitive procurement.

My provincial colleagues and I have established a Committee of Ministers on Internal Trade to help focus on the challenge ahead of us and to review what we have achieved.

We are now negotiating an Intergovernmental Agreement covering services and construction procurement. The next step will be to negotiate inclusion of Crown corporations as well as government-funded municipalities, universities, schools and hospital services.

Last March, the premiers and the Prime Minister directed that federal and provincial ministers were to complete the work of identifying, reducing and removing barriers to interprovincial trade by March 31, 1995. After decades of talking free trade within Canada, we now have an agreed target. The Intergovernmental Committee has agreed on a comprehensive

process to eliminate the remaining barriers to trade by the target date.

We agreed in principle that governments in Canada will treat goods, services, capital and people equally, irrespective of their place of origin within Canada, and we will reconcile regulations and administrative practices to achieve that end.

Now, we have to deliver on this promising beginning.

We must now identify laws, regulations, policies and practices that need reform. Governments have committed themselves to completing the first stage of this work in time for the next Intergovernmental Committee meeting this fall.

We recognize that, in applying these principles, the governments must ensure:

- that practices and policies are consistent with the goal of creating a single, integrated market within Canada;
- that information on how we are proceeding is fully disclosed; and
- that no new barriers are created in the meantime.

We will push ahead. When we meet again this fall, we will examine options for an effective compliance mechanism for internal trade and look at possible measures to enhance trade and investment linkages within Canada. We will also consider ways to avoid counterproductive competition for investment capital.

Canadians will soon enjoy the first fruit of this renewed commitment to tearing down barriers. For example, seven provinces, including British Columbia, have agreed to treat out-of-province beer the same as local beer by July 1, 1992. The others are still considering their position. So far, only Alberta and New Brunswick have adhered to a similar intergovernmental agreement on wine, spirits and cider. I would like to see this province add its name as well.

This brings me to my challenge to all of you. Building momentum for free trade in Canada after many decades of relative inertia will need a mighty effort by every stakeholder -- especially by everyone here today.

Let's not forget that some barriers to interprovincial trade were created with the acquiescence of the business community. Some businesses are comfortable with the status quo: they have vested interests in operating within outmoded barriers.

Many business men and women know that they need the international competitive edge, which a barrier-free Canadian market would provide. I know that many of you are already focussing on the emerging business opportunities that the rapid expansion of the Asia-Pacific Rim region has to offer. To maximize your position at the North American crossroads with the Asia-Pacific Rim, you need to have access to a domestic market for your products that provides economies of scale.

By removing barriers, the Canadian market can provide you with an attractive base from which to form strategic alliances with Asia-Pacific-based companies seeking an entrée into the North American market. Building such alliances will be critical as well to your ability to take full advantage of the opportunities that the double-digit growth in the region provides. The removal of barriers is not simply a domestic, political or economic issue. It also has implications for Canada's international trade performance in the rapidly expanding economies of the Asia-Pacific.

Removing these barriers is a challenge both for you and for governments. The first great challenge for business is to identify the barriers to interprovincial trade that impede your opportunities and competitiveness.

How does your business operate? Are there markets you don't serve? If so, why? What opportunities are being denied to you because of barriers that affect your profitability and opportunities for growth?

These barriers are not inevitable. They were created by governments, and they can be removed by governments, so long as there is enough political will. You have to demand that governments find the political will.

Demand your right to be treated the same as every other Canadian across the country. Hold governments and interest groups who are comfortable with the status quo accountable for the lost income and opportunities these barriers are costing you. That is a role that each of you can play within the parameters of your own businesses.

But today you have an opportunity to act together to speak with one voice about how you expect to see free trade created in Canada. I want to hear the advice of the Business Council of British Columbia. I want to know what you can do to help me keep up the momentum. I ask that your conference answer some critical questions. First, will the Business Council of British Columbia adopt an official policy on barriers to internal trade? Other industry associations have done this. Such policies are very helpful in keeping the issue before governments and their members.

Second, what will you do to make Canadian free trade a reality? What will you do to make it a priority for every business person you know or meet?

Third, how will you and your association keep constant pressure on governments to establish a single Canadian market? They will respond to your suggestions -- but only if you keep making them!

Fourth, how can we work together to ensure that new barriers aren't created? Also what mechanisms are needed to resolve disputes about barriers? Canada will need a mechanism to maintain the integrity of the market. The private sector is essential to this process. We rely on you to serve as an early warning system in case new legislation hurts the objectives of free trade within Canada.

Fifth, how are you going to demonstrate your commitment to open markets? I believe that business has a responsibility to lead by example.

You, your employees, customers and suppliers are the beneficiaries of open markets. That is why I think you have a critical role to play in developing alliances, strategies and practices, which adjust to the new open market realities without demanding new barriers.

This is not a simple problem with a quick and obvious fix. Barriers are often hidden and sometimes unintended consequences of well-intentioned policy-making. But whatever their cause, barriers to internal trade reduce efficiency, productivity and competitiveness. They restrict markets and constrain opportunities, especially for small and medium businesses who have neither the time nor the resources to find ways of overcoming them. We need to be vigilant in not only rooting out existing barriers but also in not erecting new ones.

We must also have diligent oversight of the legislative and regulatory process by concerned businesses and a commitment of political will to ensure that new barriers are not erected.

I am looking forward to seeing a report of your deliberation on these issues and any other you want to bring to my attention. We must work together. Canada needs a more open internal market to ensure our ability to compete abroad. But we must also not forget that Canada's most important market is Canada. Canada's most important customers are Canadians.

I need your help to ensure that the dream of free trade within Canada that has eluded us for generations will become a reality within three years.

Thank you.