

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

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NOTES FOR A SPEECH BY
THE HONOURABLE MICHAEL WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY
AND MINISTER FOR INTERNATIONAL TRADE,
TO THE MEETING OF THE CHAIRS
OF THE INDUSTRY SECTOR CONSULTATIVE GROUPS
FOR THE PROSPERITY INITIATIVE

OTTAWA, Ontario
December 4, 1991

Good afternoon, ladies and gentlemen. I would like to welcome you to this meeting of the chairs of the sectoral groups. I'm also pleased that the chairs of the Aboriginal Economic Development Boards have been able to join us today. I also want to thank the chairs and secretaries of the sectoral consultative groups for taking on the task of managing the sectoral consultations related to the Prosperity Initiative. You are here because I am sure that you share my belief that the old economic order, which served us well for many years, is gone. We have to change our ways. We have to raise our sights. We have to recognize the meaning of global change. And all of us -- management, workers, organized labour, educators and all levels of government -- must be part of that change.

A number of my colleagues are also with us. I would like to take this opportunity to acknowledge their co-operation in, and commitment to, the Prosperity Initiative which has been, and will continue to be, of immeasurable value: the Honourable Perrin Beatty, Minister of Communications; the Honourable William McKnight, Minister of Agriculture; the Honourable Frank Oberle, Minister of Forestry; the Honourable Tom Hockin, Minister of State, Small Businesses and Tourism; and the Honourable William Winegard, Minister for Science. Unfortunately, the Honourable Jake Epp, Minister of Energy, Mines and Resources, was prevented by other commitments from being with us today. However, he fully intends to be actively associated with the consultations in his sector. Representatives of the Business Council on National Issues, the Canadian Manufacturers' Association, the Canadian Chamber of Commerce and the Canadian Exporters' Association are also with us today.

In the weeks since we launched the Prosperity Initiative, some people have said: "Haven't we had enough talk? It's time for action, not consultation. Isn't your Prosperity Initiative just an admission that you're bankrupt of ideas?" My reply is, no. We already do have a very good idea about what the challenges are.

We have a very good idea of how we can respond to those challenges. In fact, I am sure all of us in this room have some good ideas on how we could improve our training systems, our research and development situation, and so on. But even if most Canadians agreed on the solution, there is no way that the federal government could effectively address the challenges in these areas by acting alone. The issues the Prosperity Initiative tackles are questions whose solutions lie beyond the capacity of government -- any government, federal, provincial or municipal -- to devise or implement on its own. Competitiveness must be a truly national project -- one that Canadians commit themselves to for the long term.

We're inviting Canadians to work together to develop a national plan to create a globally competitive Canadian economy. That is

why we've asked you to lead a consultative process with your industry sector.

Some take the simplistic approach to fixing our competitive position; "just devalue the dollar and cut taxes," they say, but I think you all know that simple, short-term fixes will only mask the real competitive challenges. Worse, they may delay our taking more fundamental actions to meet those challenges. And to do so we must work together to overcome the current pressures which cloud our long-term prospects for prosperity.

Governments have a key role to play and we must accept that responsibility. We must maintain a sound economic environment by controlling deficits and inflation and by encouraging savings and investment, and we must reduce interprovincial trade barriers. We have a clear responsibility to encourage training and research and development. Our regulatory and procurement policies are important factors in competitiveness. These must all be part of a response to our competitiveness challenge. We will be reviewing these policies as part of the Prosperity Initiative, and I would expect you and others to give us advice on how we should respond.

With these challenges and objectives in mind, I recently met with my provincial counterparts to speed up the process of removing internal trade barriers. In addition, competitiveness impact assessments must now accompany every measure put forward for Cabinet decision, so that we can take into account the competitive impact in our decision-making. We have asked the Economic Council of Canada to do a study of the burden of government, in terms of both taxation and regulation and their impact on the competitiveness of the Canadian private sector. But the competitive environment is not only affected by the public sector.

The reality is that we cannot afford to wait for public-sector action to change the environment. The competitive challenge is just too pressing. That is why I urge you all to focus on what action your companies, industries and sectors must take immediately, and over this decade, to meet the competitive challenges. Moreover, I count on your support to ensure that the plan of action developed through these consultations is implemented and that progress is continually monitored.

If the Prosperity Initiative is to be successful, Canadians need to use it as an opportunity for a critical self-examination -- an examination that includes an honest assessment of the competitive ability of each of your sectors and of what government can do, or should not do, in order to enhance Canada's competitiveness. Let's not make the mistake of thinking that this is an exercise in criticizing everyone else and saying, "I'm alright, Jack." Nothing will be accomplished from such an attitude. In fact,

such an attitude would cause us to lose an important opportunity to get our economic players and our governments working in harmony to support Canadian competitiveness.

I believe that Canadians must increasingly build partnerships in areas such as research and development, marketing, technology transfers and education and training if we are to improve our position in the new world of global competition.

There are excellent examples of partnerships and alliances in research and development in Canada. Perhaps the one with the longest history is The Pulp and Paper Research Institute of Canada. Our major pulp and paper companies and some of their suppliers participate in the Institute's R&D program and, with universities, participate in post-graduate education. Another example of Canadian partnership in research and development is the not-for-profit corporation, PRECARN which is a unique model of collective research in the world, and now forms the nucleus of Canada's research efforts in intelligent systems. The success of PRECARN depends on the involvement of industry with university and government labs.

While these are good examples, is it enough? Should our research institutes' mandates be reviewed? Industries are using their research institutes to do pre-competitive research. This is good -- Canada needs such basic research. But too often companies themselves do not do enough research to develop the work of the institutes and universities into usable technologies and marketable products. How can companies in all sectors be encouraged to transform the work of universities and research institutes into more competitive products and services? I have recently returned from a trade mission to Japan where one finds that every major industrial group of companies now has its own research institute. Is this an appropriate model for Canada?

Some may say that the Japanese model is not appropriate for Canada. Maybe so, but can we be assured of the second-highest standard of living in the world if our research and development investment continues to lag so far behind that of the rest of the Group of Seven (G-7) countries? In an era of knowledge-based industries, I don't think we can. What can the private sector do about this? What more should government do?

Cansulex and Canpotex, the Canadian sulphur and potash consortia, are excellent examples of marketing alliances. In Western Canada, the Co-operative Overseas Market Development Program, and in Eastern Canada, the Bureau de promotion des industries du bois, were created by the forest industry -- with government assistance -- to provide marketing support abroad. These are excellent examples of public and private-sector co-operation for marketing of products. Can more be done along these lines to

support the development and marketing of higher value-added products?

The success of Japan and the "four tigers" suggests that the picture of the entrepreneur as being one man or woman against the world, is out of date. Modern entrepreneurship includes initiative, drive and innovation, but perhaps it can also be enhanced by drawing on the strengths of partners and the services of industry associations. As I suggested earlier, there are many examples of Canadian businesses finding that co-operation and competition are not mutually exclusive, particularly in reaching into foreign markets to access new technology or to penetrate a market more effectively. And partnering at the international level is now an increasingly important element of a successful business plan.

It is essential, I believe, for more Canadian companies to do what so many of their foreign competitors are doing: investing abroad, through acquisition perhaps, or the formation of joint ventures; putting together back-to-back deals that offer exchanges of market expertise, expanded market access and, equally important, access to new methods and technologies. I believe this to be the wave of the future. Some questions facing us are how best to develop the resources in our industry associations and how to ensure that their members make full and effective use of those services to enhance their competitiveness. Some hard questions need to be asked in this area.

I mentioned the Japanese before. We all have heard management gurus extol the virtues of their "keiretsu" (company groups) which provide mutual support and investment over the entire spectrum of business activities -- from research and product development to marketing. We have all heard about Japanese management and what it can teach us about personnel, strategic planning, marketing and other business disciplines. I want to know what Canadian business can offer to the world of business management. What new insights are you developing to meet the competition we all face from the Japanese, among others?

Strategic marketing alliances are one step -- but only one -- and it is a step that was taken by some of our competitors 40 or 50 years ago. Why are Canadian businesses only now realizing the potential of such alliances? What can you suggest to bring Canadian business techniques more into line with those of our competitors? What can you suggest as a way of stepping ahead of the rest of the world?

The resource sector has been the backbone of the Canadian economy. It has been a significant part of our high standard of living. But we export too much in an unprocessed state. We aren't upgrading our technology. We aren't adding enough value

here at home before exporting it. We are now very exposed to low-cost suppliers, substitution and commodity price swings.

I was told in Japan recently that they do not regard natural resources as a competitive advantage. "We can buy them anywhere," they say. Our challenge now is to use our resources, not as a commodity, but as a foundation for adding value and creating better jobs in Canada. That means constantly upgrading our technology and through that, our competitive advantage. A question we need to ask during these consultations is how can we change our attitude towards resources from being cash cows that we milk, to industries that can generate a real capacity for producing more sophisticated value-added products?

I have focused on the resource sectors, but the same questions must be asked of all sectors -- be they tradeable goods or services. How can we upgrade and how can we create an environment where we relentlessly push ourselves to add more value and to innovate and upgrade the quality of our products and services? This is essential to strengthening our domestic market, as well as to compete with imports and to win export business against other companies that are dedicated to success.

In short, how is your industry or your company going to improve its productivity growth? What do our companies have to do individually? What do your industry associations have to do? What do governments have to do? And how can partnerships help this process?

The formation of the Canadian Steel Trade and Employment Congress (CSTEC) is an excellent example of how the partnership of labour and management in an industry can work together towards a common goal -- the upgrading of skills in the steel industry. What government can resist when these groups get together? That is the power of partnership.

The success of CSTEC has recently been mirrored in the formation of a new partnership for training -- The Canadian Labour Force Development Board (CLFDB). We need to build on the experience gained in creating the CLFDB to facilitate the development of effective partnerships. The Board will help all stakeholders to develop new approaches to skills development. Some may say its more important to reform our schools; others may say we should import the skills we need and not make heavy investments in retraining. Many complain about the quality of recruits to the existing apprenticeship programs -- how do we attract better prepared candidates? What is the most appropriate training strategy?

I think it is time that Canada took a hard look at another type of partnership -- its industry associations. Our competitors see their industry associations as a source of common business

services which go far beyond the traditional lobbying functions of a Canadian trade association. The Germans, for example, have used their associations to manage their highly successful apprenticeship programs. Many of their associations also provide marketing support to give potential customers detailed information about their members' products. This sort of mutual support is typical in other European countries as well.

Canadian industries should see if there isn't a great deal of potential value added that could come from their industry associations. You know the competition; you should be able to recommend changes in these areas. For example, should associations be focal points for industrial training? The Canadian Bankers Association and investment industry have both provided this very effectively to their people. Should associations provide market information -- both domestic and foreign? Should they be a source of comparative performance data to help guide members? Are trade associations a more effective and less confrontational forum for discussing competitiveness challenges between management and labour? Should associations assist members in forming strategic alliances? Clearly, there are examples of Canadian associations that perform some of these functions now -- and very effectively. But, is there untapped potential which will make every member of the industry association more competitive?

Foreign investment can be quite a positive force if properly structured and directed. How do we obtain more product mandates? How can Canadian subsidiaries position themselves to win more intra-corporate competitions for business? Can governments establish policies to help improve our record here?

And finally, how do we improve our trade performance? How can we encourage Canadian manufacturers to seek U.S. market opportunities? How do we change attitudes so that more of them take on the challenges of non-U.S. markets? What are the barriers to taking these risks and improving our outward orientation? Some Canadian companies do this well. Others are locked into the North American market. Why?

In structuring the consultative groups, I have tried to use existing mechanisms as much as possible. In general, consultative groups have been built around an industry sector or sectors. I have asked you to include suppliers and customers, labour and academics in your sectoral groups. I believe it is imperative that their views help to shape your reports. Some sectors have been combined where they share common problems, and having a different group of people at the table may allow each to become aware of a different approach. To ensure a broad representation of industry views, I have suggested that you use your associations to assist you.

Because time is of the essence, I would urge you to complete your membership, as soon as possible. Officials will be available to assist in this regard this afternoon. I cannot over-emphasize the need to have broad stakeholder representation in your groups and would be grateful if you would let me know of the proposed membership before finalizing your list. In terms of timing, the action plan for your sector and your recommendations for the national plan of action should be available by the end of next April.

The Steering Group's report will contain a synthesis of the findings of all the consultations and reports from provincial consultations, and other information like the recommendations in Professor Michael Porter's report on Canadian competitiveness. A national plan of action and mechanisms for monitoring achievement of milestones, among other things, will be the focus of the Steering Group's report. It will be a report that will help to guide both private and public-sector decision-making in the next decade. So you will have a major role in shaping the economic prosperity of Canada.

I don't want to leave the impression that your work will go only to the Steering Group for inclusion in their report. I can assure you that my colleagues and I will also be receiving copies of your reports and plans of action. I know that these reports will focus primarily on what you are going to do in the private sector to meet the competitive challenges. However, I am sure that you will have recommendations which the government will be able to use in shaping our policies in the coming years. Let me also say that we will not be sitting around with our feet on the desk saying: "We can't act until we get the plan of action." On the contrary -- we know that some action will be needed urgently and some will require concerted and persistent effort over the course of many years. So we will take your recommendations into account as soon as we receive them, and we look to you and other players in the private sector to support their implementation.

I had hoped that we would have labour co-chairs in these sectoral consultations. Because of the importance of having the views of labour on these issues, I urge all of you, in assembling your membership, to try to obtain labour participation. Competitiveness affects them as much as any group in society. I believe that there are many in the labour movement who see the competitive challenges we all face and want to find ways of meeting the challenge. They know that it is no good employing rhetoric when the competition is employing know-how. So I would hope that the labour movement will realize that the Prosperity Initiative has much to offer them, and gain from them. I welcome their participation.

A practical plan of action for your sector, or sectors, should be the focus of your report. However, I am sure that if the only

result of the Initiative were a plan of action, little progress would be achieved. So, I also want you to make recommendations about monitoring our progress towards identified goals -- by both the private and public sectors. Should this be an on-going process? If so, how should it be managed? For example, should an independent competitiveness council be established to set priorities and advise governments and the private sector on policies?

And finally, let me repeat the obvious. Many reports -- Porter, Kodak, the Canadian Manufacturers' Association, the federal governments' Papers on Learning and Competitiveness -- all come to the same conclusion. It is critical to the maintenance of our standard of living that we change our attitudes and policies in Canada to meet the global challenges more effectively. In many cases, the old mindsets are still in place -- in management, in labour, in government, in the education system, and in public forums.

In some ways, changing these attitudes is our biggest challenge. Let's use the Prosperity Initiative to ask the probing questions and to look at all our experience for appropriate solutions. Indeed, the very process of finding answers to the questions I have suggested today will reshape and continue shaping Canada's economic success for the next decade and beyond. The era of the quick-fix approach is behind us.

The global challenge is a race without a finish line. Let's show that we have the strength and qualities to be a leader in that race.