THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

Natural Resource: The Power of Canada

The New Energy Reality in North America: Challenges and Opportunities for the Transport Industry in North America

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Speaking Notes for Warren Everson

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I'd like to start by thanking Bob Armstrong for the kind invitation to speak with you today. And for that very kind introduction.

This is certainly not my first engagement with the CILT or the Chartered Institute of Transport, as you used to be.

As some of you might know, I spent the bulk of my career in transportation –

- in politics, on John Crosbie's staff and then Chief to Doug Lewis,
- 8 years as an airport consultant,
- as Executive Director of the National Transportation Act Commission and
- Commissioner of the Transportation Safety Board Commission,
- as a Vice President at the Air Transport Association.

Now, I see lots of overlap between CILT and my own organization.

I look at the list of attendees here today and it could easily be a meeting of the transport policy committee of the Chamber of Commerce!

So I feel very at home back in the community which launched my career.

And to be back in Montreal! This is my hometown, and as I drove in along Rene Levesque I passed the building which housed my father's car dealership – Mid Town Motors at the corner of Crescent. It's part of Concordia University now.

I'd like to acknowledge the Hon. David Collenette, who was the Minister of Transport around the time I was at the Air Transportation Association of Canada. It was David and his office that we worked with so closely in the frightful days following the attacks of 9/11, which North American aviation was staggered by the impact of those events.

The Chamber of Commerce is a big organization, with close to 700 corporate members, and a network of chambers across the country represent about 200,000 businesses. In this sprawling organization, any business issue can appear on our desks up in Ottawa.

So perhaps it's surprising that – amid all the issues – I should want to talk with you about something that seems both familiar and also successful; Canada's natural resource sector.

In fact, at the Chamber we think everybody ought to be talking about it these days.

And I want to tell you about an initiative we've started called the Partnership for Resource Trade. I'd like to ask all of you to lend your support to this effort over the next few months.

Normally I would be embarrassed to tell a room like this about the significance of natural resources – it's like telling firemen about the importance of ladders.

But at the Chamber we perceive a serious risk for Canada today and it relates to two things –

- the speed with which the world economy is changing, and
- the slowness with which our own attitudes are responding.

Resources are the engines of Canada's prosperity in ways that are perhaps underappreciated.

Canada's oil and gas, electricity, mining and forest products represent almost one fifth of Canada's GDP, half of our exports and 1.8 million direct and indirect jobs across the country.

We sometimes forget just how big we are in the world in resources.

We are the largest exporter of forest products,

the 3rd largest natural gas exporter,
the 4th largest agriculture and agri-food exporter,
the 5th largest fish and seafood exporter,
the 11th largest oil exporter and a top ten producer of
potash,
uranium,
aluminum,
Nickel,
Zinc,
Gold,
Copper and iron ore.

But of course these industries are even more significant in our own country.

The impacts of the sector go beyond the forest, farm, rig or mine.

Natural resources drive demand for products and services in many other sectors of the Canadian economy.

Everybody here can lecture me on transportation. Around 70 per cent of rail carloads are full of resource commodities.

The port of Montreal adds $1.5 billion to our national GDP annually, and half of its volume is resources, and steel.

Another Canadian port in Metro Vancouver, contributes $9 billion to Canada's GDP; 80 per cent of its goods are from the resource sectors.

One of the objectives of the Partnership for resource trade is to remind people who *think* they are far from the forests, mines and oil fields that, in fact, they are working in those locations everyday.

There isn't a single mine, oil rig or paper mill in Toronto, but the city is a global center of finance and professional services for the resource industries, particularly mining.

In 2012, 60 per cent of the issuers on the Toronto Stock Exchange and TSX Venture Exchange belonged to the resource or clean technology sector.

That means the largest employer of securities lawyers – our favourite minority group – is mining.

Manufacturers in Ontario and Quebec sell goods and services to resource producers across the country.

We're actually standing in one of Canada's most important resource communities. Montreal is home to a cluster of engineering service companies, equipment manufacturers and other suppliers.

Some are large, global firms like SNC-Lavalin. Others are small or medium sized businesses like GCM Consultants, a Montreal-based engineering firm that does 40 per cent of its business in the oil patch.

Transport, finance, insurance, manufacturing, engineering and professional services: all these sectors have a significant stake in the success of Canada's resource trade.

This is probably a good moment to mention that the people who DO live close to the mines and oil fields are also benefitting in a way they never did before.

Canada's First Nation, Inuit and Metis peoples, who for so long confronted resource developers, are increasingly becoming integrated in those developments .

More than 300 Impact and Benefit Agreements have been negotiated between mining companies and Aboriginal communities since 1974.

One of the first of these agreements, the Raglan Mine Agreement, was signed right here in Quebec and has resulted in $120 million in benefits to these the signatory aboriginal communities since 1995.

The model is shifting to aboriginal business and organizations acting as suppliers, investors or full partners in resource development.

Yet despite the deep impact natural resource industries have on Canada's economy and society, we often act as if our resource wealth is a winning lottery ticket -- a stroke of good luck that has little to do with innovation and enterprise.

Nature gave us trees, ores and mineral deposits, but they don't produce prosperity unless someone extracts them and sells them.

Adam Zimmerman – president of Noranda Mines – once said to me; "If you can pull it out of the earth and sell it for a profit, it's ore. If not, it's just a rock."

We sit on one of the largest oil reserves in the world, yet it was only in the late 1960s that innovators learned how to unlock the 80 per cent of the oil sands that are too deep to mine.

Our natural resource advantage is something that Canadians have created, not something that we have inherited.

But today, that advantage is hugely under pressure from new competition and from changes in the world economy.

At the Chamber of Commerce we believe these developments are neither noted nor sufficiently feared in Canada.

We think Canadians ought to be at least a little scared of what's going on.

Last fall we released a report we were quite proud of, called *$50 million a Day*. That title was drawn from the gap between the world price for oil, and the actual price Canadian oil was selling for in our one market, the United States.

But not only is the cost of being a captive supplier shockingly large, the paper also pointed out the startling shifts happening in North American energy markets. That market is undergoing a revolution driven by hydraulic fracking.

Oil production in the United States rose by a 15 per cent in 2013; the largest annual increase since the Second World War.

Canadians have created our natural resources advantage not just through innovating in the technology to extract and process our natural resources, but also through strategic investments in infrastructure.

In past generations, projects like the Canadian Pacific Railway and the Saint Lawrence Seaway connected Canadians to the world

The US government predicts that over the next 30 years, natural gas consumption will rise 64 per cent.

Yet Canada does not yet have a single facility capable of exporting liquefied natural gas to Asia, where prices can be four times as high as in North America.

We don't yet have the pipelines to move our oil to new markets. And this year we have learned tough lessons about the limits of our rail and port capacity.

Infrastructure investment drives success in natural resources, and Canada is poised to seize huge opportunities if we can provide the infrastructure to enable industry.

But the presumed conflict between resources and manufactured goods misses the point. In fact, the two sectors are closely linked in Canada.

The Federation des Chambers de Quebec commissioned a report last fall highlighting how closely manufacturers in Quebec and Ontario are linked to energy production happening in the West.

It found that oil and gas developments happening in Alberta, Saskatchewan and B.C. generated $900 million in businesses in Quebec.

Across Quebec, companies far from the oil patch are deeply involved with it. Here in Montreal, the firm West Penetone, a chemical maker, derives almost 50% of all its sales from the oil industry and does almost all of its manufacturing in Quebec.

It's a story many companies can tell.

Resource production and manufacturing are actually more similar then is often acknowledged. Both rely on science and innovation as a source of competitiveness.

Both rely on a suite of services: engineering, technical, scientific, design, research, financial, logistical, management, communications, etc. These are services are knowledge-intensive, provide high paying jobs and they can be exported. Between 2001 and 2012, the volume of Canada's commercial services rose by 35 per cent.

One of the points Canadians need to understand is that the natural resource sector IS the tech sector for Canada.

We all know the phrase "hewers of wood and drawers of water."
I guess hewing wood means that means chopping?

So, sure, chopping wood is low tech.

But if you take a weed species, and learn how to use it commercially in laminated plywood, if you apply modern chemistry to put a high quality face on less expensive, lighter boards, creating a product as beautiful as the old, heavy, solid panels we used to use... that's high tech.

You could lay that sheet out and put an elephant on it and you know what would happen?

Well, it would break. But that's good too!

Because paneling in somebody's basement doesn't need to be elephant-proof. The old materials probably *could* hold an elephant, but this product serves the market better.

We sometimes forget that natural resources also spin off a significant service sector.

In 2008 Finland's mining sector exported €85 million; that same year mining technology accounted for €1.5 billion in exports. Canada's natural resources create the same multiplier of value as we export our skills in engineering, consulting, architecture, climate science, etc.

Another quick point. Polling data consistently shows Canadians support natural resource development and trade, but they have a serious concern about environmental sustainability.

Natural resource production has a tremendous impact on the environment. The sector is the front lines of environmentalism; the place where humanity's need for energy, food and materials confront the fragile limits of nature.

So again, for Canada the environment challenge is very much the natural resource sector's challenge.

And young people who want to work with the biggest budgets, on the most advanced science, making the biggest contribution to the world, are going to gravitate to these sectors, because this is the front line.

The world needs natural resources like oil and gas; our only choice is to learn how to provide them in the most sustainable way possible.

A great example is the work happening at the University of Calgary, where scientists are developing a new technique to extract oil sands using nanoparticles.

I can't pretend to understand the science, the development team is working on a process in which these nanocatalysts will partially upgrade the bitumen, while it's still in the ground. This would dramatically reduce the greenhouse gas emissions and water use associated with in situ oil production and processing.

Getting Canada to lead the world in sustainable resource development is as pragmatic as it is moral.

The global clean tech is forecasted to become a $3 trillion industry by 2020.

And the solutions created in Canada can be applied around the world.

The impact of resource sectors can be felt in Canada's biggest cities to its smallest communities.

But Canada needs to have a sense of urgency about

- our regulatory policies,
- our technology stimulation,
- the speed with which we build infrastructure,
- the investments we make in our ports and other transport facilities,
- the reliability of our marine safety systems….all the factors which determine if we can compete and win.

These are the key messages of the Partnership for Resource Trade, a new initiative the Chamber is involved in. The Partnership's goal is to help create a favourable environment for competitive policies for this sector.

We've already attracted a wide range of supporters, from labour leaders to corporate executives, aboriginal organizations and transportation companies. And, of course, a growing number of chambers of commerce who are endorsing the work.

We want to reinforce pride in Canada's natural resource and trading-based economy.

We want to teach about the contribution of the resource value chain, and especially about the incredible opportunities available to our country if we have the drive to seize them.

I invite all of you to join the conversation: together we can harness the power of Canada.