



Pushing the Boundaries of Canada's Competitiveness: Barriers and Opportunities for Canada's Territories

Opportunities North

Speaking Notes for Hon. Perrin Beatty

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Thank you Craig for your kind introduction and for your contribution to Yukon and Canadian business.

Yukoners are familiar with the contribution the Hougen group of companies to communities throughout the territory. However, the Hougens' contribution to Canadian broadcasting in the 1960s through CanCom benefitted people in communities throughout the country.

Craig's father, Rolph, was Chair of the Canadian Chamber's Board of Directors a few decades ago and Craig sits on our Board today. The Hougens exemplify the leadership of territorial businesses in Canada. I'll have a bit more to say regarding this later.

I'm delighted to be back in Whitehorse. It has been four years since I was last here. The skyline of the city has changed a bit, but the unique way this city fits development into the natural landscape is the same.

This makes Whitehorse a remarkable place to visit. It also provides living proof of one of the Canadian Chamber's key messages.

Canada's rich endowment of natural resources – our land, forests, minerals and metals – are the foundation of our enviable economic prosperity.

The past year has seen the Canadian Chamber break new ground on a project that I am really excited about. The Partnership for Resource Trade is a unique initiative that crosses geographic, industrial and political boundaries. Its purpose is to remind Canadians that our forest, mines and oil wells are not only the foundation Canada's past, but our future as well.

Canada has prospered as a supplier of natural resources to the U.S. and Europe. We must now become a supplier to the world's emerging economies. We need to build the infrastructure that will allow us to compete in the 21st century; our generation's Saint Lawrence Seaway or Canadian Pacific Railway.

It has to be done in a way that respects the environment and fosters cooperation with Canada's Aboriginal peoples. This will require vision and conviction not just by governments, but by community leaders like yourselves.

This unprecedented challenge has spurred unprecedented outreach to our local chamber network. More than 100 chambers of commerce and boards of trade representing more than 60,000 businesses have pledged their support to the partnership.

We're asking supporters to talk to their communities about the role natural resources play in their community through op-eds, letters and events.

Reaching out to youth is part of the work we're doing for the Partnership. This summer the Chamber ran a video competition geared at university students. We offered a scholarship for the short clip that best explained the importance of natural resources to their community.

The creativity of the responses really impressed me. Entries included a song - a bit of an earworm actually, the creative use of a scrabble set, even a 'horror' film on a world without natural resources.

We've found that chambers, particularly those in rural and northerly areas, instantly understand the Partnership's messages.

The Whitehorse Chamber was one of the earliest to sign up for the partnership. We can also count the Yukon, Yellowknife and Northwest Territories Chambers as supporters.

However, when a community is far from a forest, farm or mine site, their connections to the resource sector are not always obvious.

That's why this Partnership has been so important; we're shedding light on the hidden linkages between these communities and the resource sector.

Just the other day my staff was talking to a chamber in southern Ontario, near Toronto. They liked the idea of the Partnership but weren't sure how the resource industries affected their community.

After about 15 minutes of looking at that chamber's membership list, my colleague was able to pull up the names of ten firms with clients in the mining and energy sector.

These kinds of linkages are at the heart of what the Partnership is trying to bring to light. Resource sector supply chains connect what's happening in our forests, farms, mines and oil fields to the prosperity of people living in Canada's cities and suburbs.

This means that northern development matters to the well being of the entire country. It is of national importance that we invest in the infrastructure to preserve our advantages in an extremely competitive global market.

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 2013, 60 per cent of the issuers on the Toronto Stock Exchange and TSX Venture Exchange belonged to the mining, energy, forest product or clean technology sector.

That means Canadian securities lawyers in Toronto – everybody's favourite minority group – are actually in the mining industry, whether they know it or not.

I have a specific example of these impacts that I like to use.

Tenaris is a leading supplier of tubes and related services for the world's energy industry. In Canada, they take iron ore mined in Quebec by Rio Tinto Fer et Titane and transform into a steel bar at their facility in Quebec.

The steel bar is then shipped to the Tenaris pipe manufacturing facility in Sault Ste. Marie, and made into a seamless pipe.

Tenaris then transports this pipe to their sister company in Alberta where a final manufacturing step occurs. The final product is then delivered to a well for either an oil sands or shale gas application.

What starts as iron ore from Quebec with a value of \$100 per tonne is processed in Ontario. By the time it is ready to be installed in Alberta it has reached a value of \$3,000 per tonne.

When I think our government's failure to permit the McKenzie Valley Pipeline in a timely manner, I realize that it was not just a loss to the Northwest Territories. It was also a loss for miners in Quebec and pipe-makers in Ontario.

I see a tendency to equate 'value added' with processing of raw natural resource. There's also a tendency to undervalue the economic benefits that are created by transforming trees, rocks and various hydrocarbons into useful commodities.

Producing natural resources is a complex, technologically sophisticated economic activity. In many ways, the resource sector is the high tech sector for Canada.

Canada's mining industry is a wonderful example of how to add value through supply chains. In 2013, the Canadian Chamber released a report called *Mining Capital: How Canada has transformed its resource endowment into a global competitive advantage*. Copies are available on our website if you'd like to take a look for yourself.

The report outlined the ways in which Canada had leveraged its metal and mineral endowment. It wasn't just by extracting and processing raw materials, but by also creating and marketing the knowledge of how to responsibly develop these resources.

Sudbury, for example, has an emerging mining supply and technology cluster that is the "mining superstore" of Ontario. Sudbury's supply cluster hasn't grown far beyond Canadian borders as yet, but the potential is there.

In 2008 the Finish mining sector exported €85 million; that same year mining technology accounted for €1.5 billion in exports.

The Fins were getting almost 18 times as much value from their role in global supply chains as from the resource itself.

We need more of this kind of success here in Canada. According to the Canadian Association of Mining Equipment and Service, for every direct job in mining extraction there are between two to four jobs in mining supply.

One area where Canada could leverage its domestic market to a build globally competitive supply industry is in clean technology.

The size and range of Canada's resource development, coupled with strong environmental regulations that drive the need for these technologies, make Canada fertile ground for this industry.

An example that I particularly like is Vancouver-based Bioteq Environmental Technologies, which has developed a way to recover metals from copper mine tailings.

Their system not only protects the environment, but also transforms a former liability into a form of revenue. After starting out working with Canadian mines, the firm is currently working with the largest

copper mine in China to retrieve \$2.4 to \$2.8 million of the metal from water streams every year.

One of the most encouraging things about natural resources is their ability to change the prospects of Aboriginal peoples.

Headlines tend to focus on stories of conflict between Aboriginal communities and the resource sector. This narrative hides an important evolution that has been happening over the past decades.

We increasingly see Aboriginal communities that view resource industries as a means to create a better future for their peoples.

The evolution is happening in part through formal agreements between mining firms and Aboriginal communities. Since 1974, more than 300 agreements have been negotiated between mining companies and Aboriginal communities.

Aboriginal peoples are also becoming outright investors in or owners of resource projects. There are already several forestry and clean energy projects owned and operated by Aboriginal governments, organizations or businesses.

Denedeh Investment, owned by five Dene groups in the Northwest Territories, bought a silver mine last year in the hope of becoming the first Aboriginal-owned company in Canada to operate a mine.

In our work in the Partnership for Resource Trade, and in a dozen other initiatives, the Canadian Chamber is working to showcase the opportunities the natural resource sector offers.

Too many issues come to public debate in isolation –

- rail capacity
- investments in port facilities
- pipelines
- reinvestment in our electricity infrastructure
- road construction

- when in fact they are all part of the same national challenge.

Canada needs to invest in the infrastructure and create the policies that allow us to preserve our advantages in an extremely competitive global market.

Through the Partnership for Resource Trade, we are asking people across the country to speak out about how we're all in this together.

I think Richard Hawkins, Canada Research Chair in Science, Technology and Innovation Policy at the University of Calgary, puts the argument I'm trying to make very eloquently.

"Canada's unique advantage is that we are both a resource-based industry and a knowledge-based industry... it is the differences in our industrial composition and orientation compared to other jurisdictions, not the similarities, that are likely to be our greatest source of future advantage in global leadership."

That's really what the Canadian Chamber's natural resource work is all about: getting Canadians to understand our strengths and unique opportunities, in order to preserve our economic competitiveness in the 21st Century.

It's a story that you and the millions of other Canadians who work in the resources sector already understand. And it is one that we are determined to tell.

Before I return briefly to the leadership of territorial businesses in Canada, I would be remiss if I didn't mention our Top 10 Barriers to Competitiveness.

The Canadian Chamber undertook this initiative three years ago to draw attention to the barriers that are holding back Canada's progress and to urge all levels of government to act more swiftly to improve our country's ability to compete globally.

Since then we have made great progress in furthering our competitiveness agenda, particularly in addressing the barrier our members identified as being the greatest impediment to the success of Canadian business: the growing skills gap. The federal government and several provincial and territorial governments have also named this issue as the country's biggest challenge."

The potential of territorial businesses to improve the economic status of the territories - and the entire country - has been a particular focus for the Canadian Chamber. In 2014, the lack of economic development tools for businesses in Canada's territories was added to our Top 10 Barriers to Competitiveness. It will be included again in 2015.

Canada needs economic strength in all of its regions to compete. Reducing the dependence of Canada's territories on the federal government for financial transfers and jobs will improve our national competitiveness. With the right tools, business in the territories can make economic growth and increased independence from the federal government happen.

Recent developments in federal policy making are taking the territories in the wrong direction. For example, temporary foreign workers are a necessity for businesses operating in Canada's territories, where it can be impossible to find the employees businesses need locally. Recent changes made by the federal government to the Temporary Foreign Worker Program, make it more complex and expensive for territorial businesses to get the workers they need.

The federal government has reduced business taxes as well as cost and regulatory red tape through devolution in Yukon and the Northwest Territories. However, a recent analysis by the Northwest Territories Chamber of Commerce highlights that any savings to its businesses are being overtaken by territorial and municipal governments imposing higher taxes and fees on businesses. In addition, the number of territorial government employees is

increasing in the Northwest Territories and along with it the salaries and benefits expected of private sector employers. To quote a July 2014 Northern News article, “Government Grows and Businesses Close in the NWT”.

The tools territorial businesses say are critical to their success include:

- infrastructure funding and investments
- attracting and retaining talent
- clarity in regulatory oversight in natural resources; and
- a constructive relationship with Aboriginal peoples.

Providing support to the territories to ensure these factors are improving is an ongoing challenge for the federal government. We are building upon work we started in 2012 to identify the key federal policy levers that give businesses the tools to grow by:

- delving more deeply into those tools mentioned by business people most often
- identifying measures the federal government can take to improve the business climate in the territory, and
- presenting our findings - and recommendations - to the federal government next year.

Thank you very much, again, for inviting me here. It’s always a pleasure to come to Whitehorse. I believe that there is some time for questions.