



Our National Competitiveness and Canada's Territories

Northwest Territories Chamber of Commerce's Annual General Meeting

Speaking Notes for
Hon. Perrin Beatty
President and Chief Executive Officer
Canadian Chamber of Commerce

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Check against delivery

Thank you Pam for your kind introduction.

I was delighted to receive the invitation to be here. Canadian Chamber members from the NWT have provided us with the strongest policy input from the territories.

We have received policy resolutions from the NWT for debate by delegates from throughout Canada at our annual general meetings addressing business issues ranging from natural resources regulation to improving energy, land, air and telecommunications links to the rest of Canada. That all of them have been adopted is proof of their quality and the recognition that improving tools for businesses in the NWT has nationwide benefits.

Your chambers serve you well at the national level. It is thanks to them that the Canadian Chamber is recognized for its strength in bringing territorial business issues into the heart of national public policy discussions.

I'm delighted to be back in Yellowknife. It has been 20 or so years since I was last here and it's just as beautiful as I remembered it. The way this city is built into the natural landscape makes flying in a very special experience.

It also offers a reminder of one of the Canadian Chamber's key messages; the importance of natural resources to the prosperity of Canada.

Canadians 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, fish, ores and mineral deposits. However, they don't produce prosperity unless someone extracts or harvests them and someone else buys them.

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

But we're in serious danger of losing this advantage unless we act with purpose and vision.

Canada is one of the G8's most trade dependant nations. For decades, selling into the U.S. market has been a successful strategy for Canadian business. Living on the border of the world's largest economy we've grown very comfortable, even complacent.

Yet we're in the midst of a great global transformation. If the countries of Asia continue their current trajectory, by 2050 three billion people will rise from poverty to what we consider the middle class.

These trends will lead to unprecedented growth in demand for a wide range of goods and services, particularly natural resources.

Although masked by the ups and downs of commodity markets, over the long run the world's growing middle classes will need metals and minerals for everything from smart phones to skyscrapers.ⁱ

The engines of global growth are moving eastward, and Canada must follow.

But emerging economies don't just represent an opportunity. They are a necessity for our long-term prosperity.

According to a report by Foreign Affairs Canada, in most sectors of the economy, Canada's share of the U.S. market declined steadily during the last decade.ⁱⁱ

We're competing against Asian and Latin American firms more for a market that represents the vast majority of our exports. So far we haven't been holding our own.

The U.S. will always be an important customer for Canada. But it will no longer be the fastest-growing economy in the world. And Canadians will face far greater competition for each export dollar.

We can no longer afford to assume that business-as-usual will be enough to support the creation of good-paying jobs and the social services we treasure.

Preserving our standard of means diversifying where we sell our goods, particularly by capturing a larger share of the Asian opportunity.

Natural resources and agricultural products are paving Canada's pathway into Asia. Over the last decade these sectors accounted for more than two-thirds of the growth in Canadian exports headed to markets other than the U.S.ⁱⁱⁱ

These are the goods the world will need, and we're highly competitive at supplying them.

Our natural resources can also build bridges for other sectors of the economy. Selling natural resources can lead to marketing technology, machinery, services and innovation in processes.

Canada has made gains in selling natural resources to countries other than the U.S. But other countries are doing much better.

Canada's share of China's imports rose by only one per cent during the last decade. Australia's share of China's imports jumped almost 15 % during the same period.

Proximity is not an excuse; it takes 14 hours to reach Beijing by air from Sydney, the exact same time as from Toronto. A container ship leaving Sydney and another leaving from Vancouver will both take 16 days to reach Shanghai.^{iv}

There are several reasons for this poor performance. The Canadian Chamber has been focusing its advocacy on one of the most pressing; the need to build the infrastructure that will allow us to trade our natural resources throughout the world.

The energy sector provides one of the most dramatic examples of why trade infrastructure is such an important issue.

Canada sends virtually every molecule of our surplus natural gas to the U.S. Yet since 2007, our gas exports to our southern neighbour have been falling by an average of by 5% each year with no sign of improving.^v

Thanks to the shale gas revolution, the U.S. is set to become a net exporter of natural gas by 2020. Meanwhile, Asia's consumption of natural gas is forecast to double over the next twenty years. The crisis in Ukraine has European countries willing to look for new and more stable sources of natural gas. Yet Canada does not yet have a single facility from which to export liquefied natural gas to either of these markets.

It's a story I hear repeated with more or less urgency throughout the resource industries.

Canada doesn't have the infrastructure to get western Canadian oil to tidewater, so when transport bottlenecks arise our producers are forced to accept a lower price.

There's been growth in oil transport by rail, but this has made it more difficult for farmers to ship their grain.

You know better than I, that Canada's North has tremendous mineral potential, but we don't have sufficient infrastructure to develop these deposits.

Past generations of Canadians looked at the great potential of our country and decided to invest in its future. They built the Canadian Pacific Railway, the Saint Lawrence Seaway and the "mega" hydro projects of Manitoba, B.C., and Quebec.

The legacy of these investments is the easy flow of people and goods across the country and some of the lowest energy prices in the world. The vision of our predecessors led to our current success.

Today we must act to provide the next generation of Canadians with the same advantages.

That is why the Canadian Chamber of Commerce has developed an unprecedented network of 121 local, provincial and territorial chambers throughout the country. These chambers have committed to advocate more trade infrastructure for the natural resource sectors. I'm very happy to count the NWT and Yellowknife Chambers in this number.

From January to March we ran a project called *Canada's Resource Cities* that took our messages to chambers in B.C., Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland. We sponsored a speaker's tour by my former Cabinet colleague, and Quebec Premier, Jean Charest.

In March, 10 chamber presidents toured Alberta's energy industry to understand how activity in one part of the country can deeply affect the prosperity of communities thousands of kilometres away.

We're also working on a series of short reports called *Canada's Resource Cities* along with our Chamber partners. These reports highlight the often hidden links between the natural resource industry and the prosperity of urban areas.

We're looking for partners to allow us to expand this program to include more regions of Canada and a broader range of activities. We'd like to set up a speaker's bureau for local chambers, to help provide members with access to leaders and experts on these issues.

You can support this work by signing up as a supporter on PowerofCanada.ca, a website set up by the Partnership for Resource Trade, one of our partners.

But trade infrastructure is not the only front we're moving on for the natural resources sector. This year we're undertaking a major project on one of our Top 10 Barriers to Competitiveness; the lack of clarity around the Duty to Consult and Accommodate.

It's a challenge every year to put together the Top 10 Barriers to Competitiveness, since every challenge could also be framed as an opportunity. This is particularly true for our work on Duty to Consult and Accommodate. Successful partnerships between Aboriginal communities and the natural resource sector are a tremendous opportunity for economic growth that will benefit everyone involved.

Aboriginal communities are a source of talent for natural resource firms. They are also suppliers the sector. Aboriginal communities are owners of natural resource projects in their own right and as partners.

When Aboriginal peoples share their deep knowledge of the land – and non-Aboriginal businesses listen - it can improve project design and help mitigate environmental impacts. I was struck by one anecdote that came back to me from a participant in our recent chamber presidents' tour of Alberta.

Suncor was using grass to cover one of its mine remediation projects, but the plants were growing too long and preventing light from getting to the tree seedlings that were also planted on the plots. One

of their First Nations partners suggested using oats and barley instead of grass. This change boosted seedling survival from 10 to 95%.

Duty to Consult and Accommodate Aboriginal peoples on major natural resource and infrastructure projects is an evolving legal concept. However, the courts have clearly placed the duty squarely on the shoulders of the federal, provincial and territorial governments.

We're hearing from our members that governments are too often taking a hands-off approach, leaving the consultation process to industry and Aboriginal communities to work out themselves.

No one questions the need for businesses to set up their own consultation processes and to follow best practices, but government needs to be at the table as well. How can individual businesses deal with questions about cumulative environmental impacts?

Business is not necessarily well placed to deal with situations where there are Aboriginal communities with overlapping claims, or where the Aboriginal community in question does not have the expertise to assess a project.

There is hardly a natural resource project in all of Canada that doesn't impact one Aboriginal community or another. Getting Duty to Consult and Accommodate right will mean the difference between Aboriginal relations becoming a competitive advantage for Canada, or it being an issue that severely limits our ability to get natural resource projects off the ground.

Our work this year will be cataloguing the challenges with the current practices of Duty to Consult and Accommodate, with a focus on government's role. Our goal is to develop a list of concrete actions governments could adopt to improve the process for everyone.

The Northwest Territories' perspective will be critical. This is the home of the Aboriginal Pipeline Group, which has set the bar for the participation of Aboriginal peoples in natural resource projects.

Before I turn briefly to our work on behalf of territorial businesses, I would be remiss if I didn't touch on some of our Top 10 Barriers to Competitiveness.

The Canadian Chamber undertook this initiative in 2012 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 - as well as several provincial and territorial governments - has also named this issue as the country's biggest challenge.

Canada is not producing enough graduates with the skills needed for its economy. There are shortages and high demand forecast in a wide range of occupations. As a result of dramatic restrictions, the Temporary Foreign Worker Program no longer presents an effective path to meet short-term labour shortages. In the medium-to-long-term, our education and training systems play a pivotal role in equipping us with people with the right skills.

With our demographic reality about to hit our labour market, we need stronger efforts to coordinate between the silos of education and employers. Improving the links between education and employment is not the responsibility of educators and governments alone. Employers are directly implicated. We need to break the silos.

(Pause)

One of the most critical determinants of competitiveness is access to capital, especially for start-ups and companies moving from

innovation to commercialization. Venture capital is often the lifeblood needed to take a company from idea to market. Canada's VC industry is still small and punching below its weight, particularly when compared to the U.S.

In 2014, the Canadian Chamber spoke with dozens of entrepreneurs leading fast-growing companies who said one of the biggest hurdles they face is securing capital to take their companies to the next level. This year, we're advocating a number of initiatives to boost incentives to expand the overall pool of capital and to attract more angel investors and international funds to Canada.

(Pause)

Closer to home, 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 is included again this year.

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.

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.

We are building upon work we started in 2012 to identify the key federal policy levers that give businesses the tools to grow. We've completed roundtables with businesspeople in Whitehorse, Yellowknife and Iqaluit. We're completing our report on these discussions and will be presenting our findings – along with recommendations – to the federal government this spring.

While I don't want to steal too much of our own thunder, I can tell you that – while you may be thousands of kilometers apart – businesspeople in the NWT share many of the same challenges as your colleagues in the other territories and, indeed, in the rest of the country. Your challenges, however, are magnified by geography and your small population.

Some of the key themes that came out of our roundtable here last November included:

- The economic footprint of the private sector needs to grow and eventually overtake that of government;
- Aboriginal peoples are essential to sustainable economic development and it's up to business and government to work

together to ensure they are included in planning and decision making;

- To foster homegrown businesses, entrepreneurship needs to be brought into the classroom. This is a theme we heard last year in cross-country roundtables with high growth entrepreneurs;
- Infrastructure – telecommunications, housing, schools, roads, paved runways – are key business enablers and government needs to work with the private sector more in their design, construction and management; and
- Tourism is key to economic diversification in the NWT and the government needs to work to build anchor attractions in small communities. These anchors have proven to be hubs around which small businesses have taken root.

So now let me now answer the question many of you are likely asking, “What has the Canadian Chamber done for businesses lately?”

We outline our “wins” on behalf of Canadian businesses in our Annual Report to Members.

One of our 2014 “wins” was the addition of a per capita funding allocation to the New Building Canada Fund. The government also announced that 10 per cent of the 10 billion dollar Provincial-Territorial Infrastructure Component of the Fund would be directed to communities of fewer than 100,000 residents. The per capita allocation was one of the “asks” in our 2012 report *Developing the Economic Potential of Canada’s Territories*.

I would like to highlight some recent “wins” announced earlier this year.

In our 2013 *Mining Capital* report, we called upon the federal government to extend the 15% Mineral Exploration Tax Credit or METC. We also called for making costs associated with environmental studies and community consultations eligible for treatment as Canadian Exploration Expenses that would qualify for the METC. Earlier this year, the federal government announced both measures, extending the METC until March 31, 2016.

In March, the federal government announced it had signed a preclearance agreement with the U.S. government for land, rail, marine and air transport. We have been calling for this on behalf of Canadian businesses for several years.

We were particularly pleased with the March 23 announcement by the Minister of Finance that the first trading hub for China's currency – the renminbi – in the Americas would be in Toronto. Last November, we released a report calling for the establishment of a renminbi trading hub in Canada to lower the cost of doing business with China and give our trade with that country a boost.

We estimate the hub could increase Canada's exports to China by as much as \$32 billion over the next decade, while cutting Canadian importers' costs by as much as \$2.75 billion. Many Chinese companies prefer doing business in renminbi and are willing to offer buyer discounts. Businesses can also save on foreign exchange costs by converting directly from Canadian dollars to renminbi, without the intermediary step of converting into U.S. Dollars.

(Pause)

In this federal election year, I would be remiss if I didn't outline some of our plans for providing our members with tools to assess which party will put in place the policies to foster a competitive Canada; a Canada that wins.

We'll be releasing our election platform to members in mid-May. Our focus will be on the 4 critical factors that allow businesses to compete and win:

- Access to a Powerful Workforce
- Access to Capital
- Access to Tools to Improve Productivity
- Access to Markets

We have invited the three major federal parties to comment on what they would do in each of these areas if elected. We hope to make a video of their comments available to members.

Members will also see some of the tools we have offered in previous elections again, including our multi-party policy comparison grid and the parties' responses to our policy questionnaire.

We have also invited the major federal parties to participate in a policy debate that would be webcast throughout the country in the early days of this fall's campaign. We'll share the details on these and other election activities as they are firmed up.

Thank you very much, again, for inviting me here. It's wonderful to be back in Yellowknife. I believe that there is some time for questions.

ⁱ Rio Tinto. http://www.riotinto.com/documents/Outlook_Full_Year_Results_2013.pdf

ⁱⁱ Department of Foreign Affairs, Trade and Development Canada.
<http://www.international.gc.ca/economist-economiste/analysis-analyse/brief-precis/brief-precis-02.aspx?lang=eng>

ⁱⁱⁱ Department of Foreign Affairs, Trade and Development Canada.
<http://www.international.gc.ca/economist-economiste/analysis-analyse/brief-precis/brief-precis-04.aspx?lang=eng>

^{iv} Canada2020. http://canada2020.ca/canada-we-want/wp-content/themes/canada2020/assets/pdf/en/Canada2020_E_Asia-1.pdf

^v US Energy Information Administration. Data as of January 2015.