“Nation-Building Infrastructure and Canada’s Industrial Heartland”
Address by the Honourable Jim Prentice, PC, QC
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Check Against Delivery

Thank you, Sharon, for that warm introduction.

It is always a pleasure to be back among friends and colleagues with whom one can meditate upon the truly pressing issues of the day – including the prospects for profoundly troubled institutions, such as European banks, the Greek economy and the Leafs goaltending corps.

As many of you know, I have been with CIBC for more than a year now. It has been a tremendous opportunity to join a bank with such a rich history in every province of Canada. I got into politics because I believed passionately in the potential of our country. Every region. Every province. And I happily joined a bank that believes in – and acts to advance – that same potential.

My objective here today is to knit together my views on the structural changes taking place within the Canadian economy – with a particular focus on the impact of planned energy mega-projects, the dawn of the Asian Century and the accelerating erosion of Canada's industrial and manufacturing base in Ontario.

Given these forces and their complex implications, how best can we spur economic development and create prosperity for today, tomorrow and for generations of Canadians to come?

In attempting to answer this question, I would begin by inviting you to keep in mind one of the insightful and rather memorable musings of the influential British industrialist Sir John Rose, former CEO of Rolls-Royce. During a speech five years ago, he noted that new wealth can be created in only three ways: “You can dig it up, grow it or convert something in order to add value. Anything else is just moving it about.”

This truth has singular relevance for Canada’s future. But before we get to that, let’s look briefly to the past, for it has a bearing on our discussion here today.

Ours is a country built on dreams of sweeping ambition, massive in scale and scope.

These dreams have taken form in projects like the St. Lawrence Seaway, the Trans Canada pipeline, James Bay, Hibernia, the Trans Canada highway and of course the first and perhaps greatest of them all – the CPR, a ribbon of steel that against the elements and the odds was laid down across 4,000 kilometres of mountain, prairie and unforgiving wilderness.

These were all transformational in their own way. Each put its stamp on Canadian development, progress and prosperity. Each was an example in its time of a shared goal, a collective purpose, a commitment to nation-building and to the future prosperity of the country we love.

These projects had several common elements. They took years to build and created massive employment and spin-off benefits. They were financed with private sector and public sector funds and stimulated the economies of entire regions. And each in its day was subject to intense scrutiny and stoked public debate and controversy, as is the nature of developments that hold the potential to change the fortunes of a nation.

Most important of all, they taught us that being bold, dreaming big, holds the potential to improve our collective fortune.

The days of nation building are not at an end.

In my travels in Atlantic Canada and in Quebec, I have been talking about the economic importance of massive new hydro-electric projects. And I returned recently from Vancouver, where I set out the importance of developing multiple corridors to the Pacific and the related terminals for our crude oil and natural gas. So important, in fact, that I believe access to the Pacific coast to be in Canada’s national interest.

West coast access for our energy products is a critical element in developing our capability to become a strategic supplier of energy to the Asia Pacific generally and to China specifically.

China has moved from the periphery to the centre stage of the world economy marking the beginning of what I believe will come to be known as the Asian Century.
By 2015, some estimate that China will be consuming 13 million barrels of oil a day. But here's the key – China alone accounts for 60% of the growth in oil demand. By 2050, it is estimated that Asia's seven largest economies will account for 45% of global GDP and more than 90% of global economic growth.

Simply put, the rise of the Asian Century and the demands of a country that is already the world's largest consumer of energy will stretch the supply of commodities to the breaking point.

In response to domestic and external demand, you will find no other G8 country – in fact no other country in the world – that is bringing on infrastructure projects at the pace and relative scale of Canada. The investment is significant. Close to $290 billion – yes that is billion - of investments over the next 20 years. And the list of projects on the drawing board is astounding:

- The Lower Churchill project in Newfoundland and Labrador,

- The Mecatina hydro project in Quebec, following upon La Romaine and Eastmain Rupert,

- The Mattagami hydro project here in Ontario,

- The Connawappa project in Manitoba,

- The Site C hydro project in British Columbia,

- In Alberta, expansion of the oil sands from production of 1.5 million barrels per day to a sustainable 3.5 million barrels per day,

- LNG terminals on the West Coast,

- The North West Upgrader in Edmonton,

- The Keystone XL pipeline into the United States, and

• The Northern Gateway pipeline to the west coast.

Taken together, these planned infrastructure projects will fuel the next stage of Canada's economic development and job creation. They represent a fundamental economic driver for our nation as a whole – and for most of the provinces in the federation.

This list of infrastructure opportunities is often seen as a list of regional or provincial investment opportunities. But I want to stress today that together, this list represents a national opportunity to develop our resources, create jobs, strengthen our manufacturing sector and build on the strengths of our financial community. This is not a BC story. Or an Alberta story. Or even an Atlantic Canada story. It is Canada's story and a story of great potential.

And it is a story that has resonated across the country. In Atlantic Canada. In Alberta and in BC.

But perhaps less so in Ontario.

You may ask why.

On its own, that fact is merely unfortunate – but the truth is that this province is also confronted by a number of serious economic challenges. The report of Don Drummond detailed Ontario's structural deficit and gave us a sense of the hard choices that lie ahead. And earlier this week, CIBC released a report of its own – a report showing the effect of the rising Canadian dollar on the manufacturing base of this province.

The numbers are striking. A decade ago, manufacturing contributed to over 20% of the province's GDP. Today, it's only 15%.

In 2001, Canada enjoyed a trade surplus in the automotive sector of $20 billion. Last year, we had a trade deficit of $12 billion.

Perhaps most telling of all, real GDP growth in Ontario has trailed the rest of the country for nine consecutive years – ever since the dollar started its long climb towards parity. Our dollar's strength has undermined Ontario's efforts to sustain manufacturing exports and stay competitive with the U.S. market.

One of the key realities of the 21st century for Canada and for Ontario is that the commodities we have in abundance as a nation are – and will continue to be – in high demand among the emerging countries of Asia. Our dollar is not going to be in measurable decline anytime soon. Those old manufacturing jobs aren't coming back.

So the question is: What do we do? How do we revive Ontario's prospects and set it on course toward a more promising future?

This debate is just starting but I know three things for sure.
We need to build on our strengths. Canada must have a strong industrial heartland and excel at manufacturing and governments have a real role to play in making this happen.

Let me expand on these.

First, we need to recognize and build on existing strengths.

Among Ontario's primary strengths is Toronto's role as Canada's business and financial capital, home to the TMX and the TSX Venture Exchange. As such, Toronto is well-positioned to benefit from the growth of emerging nations, and from their demand for resources.

Some of you may have heard Peter Munk speak to this city's prospects.

At a speech to a CIBC mining dinner last year, Munk outlined the similarities between Toronto today and London in the late 19th century, when that city's banks and investment houses played a critical role in raising capital for the global expansion of railroads, ports and related works.

He pointed out that Canada finds itself staring square into the kind of opportunity that rarely comes to any country – the opportunity to take a quantum leap, to establish Toronto as the world's next big financial centre for the sector that in the 21st century will have the greatest need for capital – the mining sector.

It's easy and even exciting to follow Munk's thinking: to meet Asia's demands, there will need to be more mines built, more energy harnessed. To build those mines and energy projects, huge amounts of capital from around the world will need to be channeled through a credible source – preferably one with an unparalleled expertise in resources and a rich history of financing such projects.

Where better than Bay Street?

As Munk noted, Canada has the requisite ingredients to be centre stage in world banking. Our institutions are strong. Our legal and regulatory systems are respected and proven. And we have a reputation for trust and integrity.

Who better than Canada's banks to raise and marshal the capital required? Moreover, who on earth has more "ingrained, generational know-how" about mining, about energy, about the resources that will help shape the future?

Second, we cannot give up. We have excelled at manufacturing for generations and our future lies in our ability to refocus Ontario's manufacturing base towards high value opportunities.

I spoke at the outset about John Rose's perspective on wealth creation. When I was Minister of Industry I had the good fortune to meet him. Having watched as his country lost millions of manufacturing jobs over a number of decades, he emerged as a thoughtful proponent for the development of a strong, domestic and high-value manufacturing sector.

He refused to give up while many others in Britain waxed on about a post-industrial economy that would merely produce ideas and where the rather messy business of producing things was handed over to less fortunate souls.

He argued – and correctly, in my view – that even in our changed world, a modern economy is in fact a balanced economy that has a portfolio of business activities. And that same modern economy needs a vibrant manufacturing component, one with significant research and technology content, rooted in the practical application of science, innovation and intellectual property.

There is a lesson here for Canada, and for Ontario.

At the outset, I set out that extraordinary list of infrastructure opportunities to be built in Canada over the coming years. Collectively these are amongst the largest capital investments to be built globally over the next 20 years. And more than just construction, where better to build the high value components required than right here in Ontario?

Who is better able to manufacture the steam generators, the turbines and the electronics than workers in this province?

Let's take the oil sands as an example. The oil sands are more than a valuable resource bounty – they are a remarkable Canadian success story as a scientific achievement. In the span of 25 years, we've gone from the laboratory and mere theories about how to effectively and efficiently mine and recover the oil sands to a world-class operation that produces some 1.5 million barrels a day.

Aside from Alberta, Ontario already benefits more than any other province from oil sands production. It is estimated that during the next 25 years, Alberta-based energy companies will buy $55 billion worth of goods and services from Ontario.

These are not insignificant numbers.

Beyond that, the oil sands stand as one of the engines of domestic economic growth in our country – with at least $20 billion of annual investment planned for this year, next year, and every year over the foreseeable future. Alberta alone doesn't have the industrial capacity to keep up with demand for manufacturing. Every single CEO in Canada's energy industry will tell you that and will emphasize that sourcing new manufacturing capacity is their greatest single challenge. Here is Ontario's opportunity to find new markets for its metal fabrication, its engineering services and more.

And it's not just the oil sands. Canada has what the world wants – potash, oil, natural gas, uranium, copper, iron and nickel. We have no interest in being mere drawers of water and hewers of wood – but we can and we should strive to be the very best at producing value-added services across the energy and resource sectors.

Third and finally at least for today, governments have to make smart choices to help promote the development of Ontario's manufacturing sector.

Now, what do I mean by that?

I mean that our country needs a well-articulated industrial policy. As part of this, Canada and its provinces need to jointly develop an educational and training system that will better provide our manufacturing and resource sectors with the skilled resources they require. And this also means a continuing focus on the skills that new immigrants bring to this country.

We need a bigger and better commitment to science and technology, and a rigorous determination to get more out of the money we invest in this area.

Countries must recognize that countries compete and that in today's world there are extensive alternatives for the location of high value investments. We need to ensure that the right choices are made to secure and retain that investment here. Governments have levers – they should use them.

Governments also need to understand that although a low-tax environment is essential, smart fiscal policy is no longer in itself sufficient to ensure a competitive advantage. Tax policy can be gamed by any and all jurisdictions. Others, including the USA are catching up to us.

We therefore need a longer term, more integrated approach to encouraging investment in Canada.

We need a skilled work force, investments in urban and cultural infrastructure, and institutions that encourage innovation that will help Ontario and Canada stand out as attractive destinations for investment and job creation.

There is one final thought that I would like to leave with you before I conclude… success in the 21st century can't be built on ideological purity. A government can no longer simply say: "there's no role for us whatsoever in global business."

The reality is that governments in other countries play an active and often direct role in developing economic activity and influencing its performance in the marketplace.

Look around and it's not hard to see the impact of State Owned Enterprises, Sovereign Wealth Funds and good old-fashioned, often imprudent government intervention. To prosper in the global marketplace, Canada needs to fight to win. We can't be Boy Scouts.

The challenges facing Ontario are real and significant. The province's traditional economic foundation has eroded significantly influenced by global forces that define the modern world. There is no simple solution, no easy tonic. But there are steps that can be taken, potential that can be pursued and strengths that can be further developed.

Canada's economic opportunity lies in our ability to harness domestic capital markets to finance our extraordinary infrastructure opportunity.

And then to ensure our domestic manufacturers have the capacity and the support needed to take advantage of that opportunity.

Integrating each of these elements will help propel Canada's economic growth – and ensure we're heeding John warning to not simply "move it about."

Ladies and gentlemen, it does start with leadership. Leadership in our infrastructure and energy sectors, leadership in our manufacturing sector, leadership in our financial community, and yes, leadership among our governments and our politicians.

CIBC has its roots in this great city. It first opened its doors on Yonge Street in the very same year that our nation was born. It grew along with Canada – following the CPR to the West, opening branches along the line as our country matured, gained confidence, invested in itself and in its future.

Building a province or a nation is never an easy exercise. It takes dedication and courage. It demands perseverance and ingenuity in times of trial. It requires leadership and drive in times of hardship.

Today, Canada stands on the verge of a new period of growth and development – a period that holds the potential for sustained prosperity as we develop our resources, diversify our markets, rebuild our manufacturing base and look to exciting new opportunities.

We must always remember that our country remains a work in progress. We must never forget that the job of continuing to build Canada is our task and our trust.

Thank you very much.