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Agenda: Jobs and Growth

**Building
a More
Innovative
Economy**

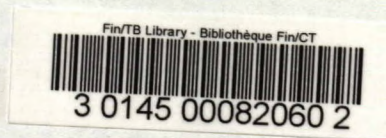
Summary



Government
of Canada

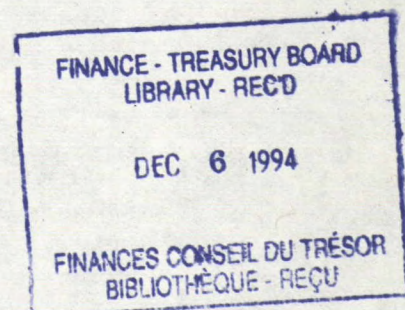
Gouvernement
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Canada



Building a More Innovative Economy

Summary



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Introduction

Dynamic economies constantly re-invent themselves and grow through innovation.

The federal government in its new policy document *Building a More Innovative Economy* outlines its intentions for improving the economic climate of Canada, encouraging marketplace growth, increasing productivity, and creating jobs for Canadians. Our challenge is to help the private sector create more and better-paying jobs. We will meet that challenge by spending smarter, targeting our resources where the payoff is greatest, and reallocating funds to new priorities.

Increasing global trade and advances in technology are changing the world economy. Countries that ignore what is happening and take a "business-as-usual" attitude will fall behind. On the other hand, countries that take bold actions by adapting to new technologies and the realities of today's economy will meet the challenges of tomorrow head on, seize new opportunities, and build a better country.

This government believes that by taking a leadership role, it can make a difference.

What is the federal government doing to help create more jobs for Canadians?

The actions portrayed in *Building a More Innovative Economy* lie in areas where governments can have the greatest impact on job creation. Working with our provincial counterparts and the private sector we will help the economy grow and create jobs for Canadians. This paper introduces a number of initiatives to:

- build a positive entrepreneurial climate and help small businesses grow
- expand markets for jobs and growth through trade
- create an efficient and modern infrastructure
- make technology work for Canada.

This plan deals with two key parts of our comprehensive agenda for jobs and growth: getting government right, and providing leadership for an innovative economy. Our larger agenda also includes a review of Canada's social security programs, removal of disincentives to work for a better-trained, better-educated work force, and measures to ensure a healthy fiscal climate.

Through our consultations, we have identified some important measures that have a positive impact on small business growth, trade, tourism, and infrastructure. The time to move forward with these measures is now.

This paper also focuses on longer-term policies to increase global trade and business dealings, and continually upgrade Canadians' skills and knowledge levels to ensure jobs and growth.

Further initiatives will be forthcoming based on the results of other consultations, such as the Science and Technology Review, as they are completed. We are also preparing a sustainable development framework, guided by an advisory committee, and fostering "green government." The framework will deal with the sustainable management of our natural resources, pollution prevention, and international leadership.

Why now?

Canada is well placed to push the current economic recovery beyond what economists are predicting. The economy is picking up and, in this year already, some 270 000 new jobs have been created. In partnership, we can use our ideas, skills, and natural resources to sustain and build on this recovery.

Do we have the answer to jobs and growth?

All Canadians — individuals as well as groups in both business and government — need to work together to improve our chances for success. Canadians have always worked together to achieve common goals. We all need to innovate, to find new solutions to old problems, and to create new opportunities.

Innovate means to make new, to alter, to change. The federal government has identified areas where it can be innovative in support of the Canadian economy, and we hope individual businesses will do the same.

These initiatives will produce the right climate for businesses to succeed and create more jobs for Canadians, without spending more. Businesses have told us that the national debt is the number-one barrier to job creation. We are refocusing our programs accordingly.

The government can do more. Our current consultations with Canadians — on fiscal and social policy, small business, science and technology, and federal budget priorities — will result in further measures to improve the climate for jobs and growth. The measures outlined in this paper provide realistic steps toward that goal.

Marketplace Climate: To Make It Healthier

To grow and prosper, business needs an efficient marketplace — an environment that encourages innovation and expansion, free of unnecessary barriers. The government will work to support a healthier, more dynamic marketplace, freeing up the energies of business and workers to create jobs. We will do this by helping small business grow, by regulating smarter, and by helping business and labour to build more innovative workplaces.

Helping small business grow

Small business creates jobs — almost 90 percent of the new jobs in our economy. Our priority is to make sure that nothing stands in its way, by removing obstacles to growth and targeting government support more effectively.

Cutting paper burden: Entrepreneurs should spend more time growing their businesses and less time filling out government forms. We are committed to reducing the federal paper burden substantially, and quickly. We will work closely with small businesses to identify the problem areas and to set specific targets for their reduction, reporting annually on our progress in meeting those targets.

Buying from small business: New procurement policies will increase the value of goods and services that government buys from small businesses. These policies target up to \$1.5 billion of federal buying. They include a program giving preference to small and Aboriginal businesses for contracts under \$125 000, stronger support for small businesses in developing new technologies, and a procurement program for Aboriginal firms.

The *Small Businesses Loans Act*: We will increase the lending ceiling under the *Small Businesses Loans Act* (SBLA) program, while putting it on a cost-recovery basis as part of reducing business subsidies.

Encouraging investment in small business: We are starting a pilot project — the Canada Community Investment Plan (CCIP). It will reduce the costs of matching informal investors and other local sources of venture capital with local firms looking for small amounts of equity. We will provide \$5 million a year for the next four years.

Simplifying small business programs: Finding a way through the maze of 700 federal and provincial business programs is extremely complicated and time consuming for most companies. We will streamline, reduce overlap and waste, and cut the number of our small business programs substantially by 1998. We invite the provinces to work with us in this effort to create a smaller, more flexible set of programs that are easier to use.

Canada Business Service Centres: Canada Business Service Centres provide quick, single-window access to government information. To improve and expand service, we will increase our investment in our network of centres by \$15 million annually, and expand the network by using existing community organizations such as Chambers of Commerce and Economic Development Commissions.

Lower UI premiums: We will reduce Unemployment Insurance premium rates through a series of cuts once the UI account is healthy again. As a first step, the UI premium rate will be lowered in 1995 to \$3.00 from its current level of \$3.07.

Regulatory reform to unleash business energies

Regulations help us to keep our markets competitive, our products safe and our environment clean. Business has told us that one of the most effective steps the government can take to encourage jobs and growth is to regulate smarter. We agree.

As a start, we will complete previous reform efforts quickly. More than 150 regulations that have outlived their usefulness will be revoked and another 170 will be revised in early 1995. There will be a further 100 revocations and over 200 significant revisions by 1996.

Legislating regulatory reform: A new *Regulatory Efficiency Act* will be tabled. The Canadian Manufacturers' Association estimates that this legislative reform could save Canadians more than \$3 billion a year, provided the extra flexibility is used fully and the other levels of government pursue similar initiatives.

In February 1995, we will introduce reforms to the *Statutory Instruments Act*. These will simplify and speed up the regulatory process, so that departments can respond more quickly to changing circumstances.

New ways to regulate: We will simplify the language of our regulations so people can understand them. And we will make it easier for people to find out what regulations apply to them, and train our staff to deal more effectively with small businesses.

By fall 1995, the seven largest federal regulatory departments will use the **Business Impact Test** or a similar analysis when introducing major regulatory changes. By 1996, all federal regulatory departments will do this.

We will encourage greater cooperation between levels of government, and work with the provinces in streamlining the regulatory regime.

Regulatory improvements in six sectors: By improving regulations in specific sectors of the economy, we can help create jobs and grow. We will target six sectors at first: **biotechnology; health, food and therapeutic products; mining; automotive industry; forest products; and aquaculture.**

High standards to boost sales: Developing and adhering to common standards for products and services is important in a highly competitive, global economy. The government will:

- build on the Internal Trade Agreement, to make it easier to move people, goods, services and investments between provinces and territories
- modernize and streamline the Standards Council of Canada, to promote the development of nation-wide standards, encourage the use of internationally recognized quality standards such as ISO 9000, and give small business a greater role in setting standards for products.

Innovative workplaces

The government's discussion paper on social security includes a range of ideas to improve our training and labour market programs to help people adapt to change in the workplace. In addition, we are pursuing action on a number of fronts in support of innovative workplaces that help create jobs and growth.

Upgrading our skills: Human Resources Development Canada's — Sectoral Initiatives Program brings together business and labour within an industry to address occupational standards and training needs. Fifteen of these councils are already in place to improve the skill levels of their workers. Other sector councils are to be established in the future.

A Youth Internship Program: To help young people get jobs after they finish high school, we are working with the provinces, business, labour and local communities to implement a Youth Internship Program. Its goal is to develop 20 000 internships a year.

From unemployed to self-employed: More and more Canadians are creating their own businesses, and we support that trend. The Self-Employment Assistance Program has proven an effective way to provide financial, training and technical assistance to those who want to become self-employed. By reallocating funds, we will increase the budget for this program in 1995.

Modernizing our labour laws: We are working with business and labour to review the *Canada Labour Code* to ensure that our laws support a cooperative labour-management relations environment. We will improve the industrial relations section of the Code, and will ensure that employers and workers have more flexibility in working arrangements.

Trade: To Expand Markets for Jobs and Growth

Each additional \$1 billion in export sales creates about 11 000 new jobs in Canada. The federal government is pursuing new partnerships with the provinces and the private sector to increase exports.

Our new Trade Team Canada approach — bringing together leaders of the federal, provincial and municipal governments, private business and non-governmental organizations — is real and it works. On a recent visit to China, the Trade Team Canada approach put together the largest foreign mission ever mounted by Canada — and harvested some \$8.6 billion in new trade opportunities.

We will take this approach further as we work to revitalize trade both at home and abroad.

Trade policy for the 1990s

Domestically, the 1994 Internal Trade Agreement started the ball rolling toward an integrated domestic marketplace. Set to take effect on 1 July 1995, this agreement will help ensure, for example, that the \$50 billion in annual government purchases are opened to competitive bidding throughout Canada.

Internationally, our new external trade policy focuses on those areas where opportunities for expanding our trade — and the potential benefits — are greatest. For example, we concentrate attention on those countries seeking to become members of the new World Trade Organization, and countries such as Chile who may join the North American Free Trade Agreement (NAFTA). We also recognize the importance to Canadian business of key strategic markets in Asia Pacific and Latin America, and we will negotiate greater access to those markets.

Developing a nation of traders

Government support for international trade development and promotion is becoming more strategic. This funding will be reallocated to be more effective. Our goal is to dramatically increase the number of exporters and reduce the current account deficit and — as a result — create more jobs for Canadians.

Reducing intergovernmental overlap: We will renew our offer to the provinces to integrate or co-locate their offices with ours in Canada in “one-stop-shops.”

Exporter preparation: Over the past 10 years, trade enquiries at our offices abroad have tripled, while business visitors have doubled. To better serve companies who want to export, our offices in Canada will prepare them to do so, and our offices abroad will serve companies that are export-ready.

Focusing on small businesses: The biggest opportunity for government to improve our trade surplus is to target resources where they make a difference. Small businesses with annual sales of less than \$10 million will be a priority for funding through the Program for Export Market Development (PEMD).

Looking for trade opportunities: The International Trade Business Plan will be the centrepiece of our trade development planning process. We need to make strategic choices, focusing on sectors that the world marketplace signals as growth industries and on geographic markets of greatest opportunity for us. In addition, we will fold international business development funding into a single, more effective program.

Building global linkages: The Department of Foreign Affairs and International Trade (DFAIT) will expand and strengthen its network of investment and technology development officers. A more strategic approach to promoting Canada as an investment site within NAFTA will be developed. Our investment program will be closely coordinated with the provinces as part of our Trade Team Canada approach.

International agri-food marketing: The agri-food industry has set an objective of \$20 billion in exports by the year 2000, a 50-percent increase over the 1993 level. We will establish a single point-of-access Agri-Food Trade Service to deliver export development programs. The service will focus on exporter preparation and product development. Rural Canada will benefit from these economic development activities.

Strengthening export financing

The Export Development Corporation is working with several large banks to introduce new ways to finance exports, including a new guarantee mechanism for small business financing. This will allow banks to extend more operating capital to small exporters. In addition, the Canadian Commercial Corporation is developing pre-shipment export financing for small and medium-sized companies.

National tourism initiative

Tourism is one of the fastest-growing sectors worldwide, and a major component of Canada's economy — employing more than half a million Canadians and generating more than \$25 billion in revenues.

The National Tourism Initiative is designed to help coordinate our efforts with those of other levels of government and the travel industry to sell Canada as a destination, similar to the Trade Team Canada approach. The Canadian Tourism Commission (CTC) will be put in place in the coming months to work cooperatively with public and private sector partners to coordinate tourism promotion within Canada and abroad.

We will increase our investment in tourism promotion from \$15 million to \$50 million a year. Working with other governments and industry, the goal is to reach a combined \$100-million annual marketing fund.

Infrastructure: To Meet Tomorrow's Needs

Infrastructure — our roads, railways, air routes, and telecommunications networks — is the essential lifeline connecting businesses for economic growth. The government has identified a series of reforms to ensure that the groundwork is ready for the future.

A new direction for transportation

An efficient and competitive transportation system is critical. A new policy framework will apply business principles to many of the operational aspects of Transport Canada's activities, enabling the department to focus on its regulatory and safety responsibilities for an efficient, affordable and integrated transportation system.

Commercializing operations: We will commercialize major airport operations and the air navigation system by 1996. We will also announce policy changes for Canada's airline industry.

Rail renewal: A rail renewal action plan will be developed in early 1995 to help ensure viable and competitive rail freight services from coast to coast. A separate task force is examining the future ownership and operation of CN North America and will report to the Minister of Transport by January 1995.

Marine transportation: A national marine policy will be developed, and future responsibilities of the Coast Guard will also be reviewed.

In addition, we will remove or revise outdated transport regulations by late 1995, reduce or stop subsidies over the medium term, and implement the transportation components of NAFTA and the Internal Trade Agreement.

Canada Infrastructure Works

We are preparing to celebrate the first anniversary of the Canada Infrastructure Works program — a \$6-billion partnership of the three levels of government, and a major component of our electoral commitment to create jobs for Canadians. Approximately two thirds of project dollars is being applied to roads, streets, sidewalks, water treatment and distribution systems, and waste management. The other third has been applied to public buildings, parks, recreation facilities, and other facilities important to our everyday lives.

Over the next two years, the federal government will invest the remaining \$1.3 billion of the Canada Infrastructure Works program's total federal funding of \$2 billion, matched by provincial, municipal, and First Nations partners, and often involving the private sector. This investment will create a further 65 000 direct jobs and contribute to economic recovery throughout the country.

Energy efficiency measures

We recently announced two innovative programs to support and encourage greater energy efficiency in building maintenance.

The **Federal Buildings Initiative** provides an innovative approach to retrofitting federal buildings for energy efficiency. Fully implemented, it will spur the development of the energy services sector, create more than 20 000 person-years of construction employment, and reduce energy consumption and related emissions.

The **Municipal Buildings Initiative**, a joint initiative with the Federation of Canadian Municipalities (FCM), applies the same principles in 560 municipalities. An FCM study indicates that municipalities can save about \$200 million a year through energy retrofitting.

Building the information highway

We already have world-class telephone, cable, and computer networks. Connecting our networks to build the information highway will change the way we work, shop, bank, communicate, learn, and entertain ourselves. Most importantly, the information highway will create new opportunities for growth, jobs, and a better standard of living. While the information highway must be built by the private sector, governments have an important role to play.

Regulatory reform in telecommunications: We believe that competition in the telecommunications market is the key to jobs, growth and consumer choice. We want to have an integrated policy, and we have asked the Canadian Radio-Television and Telecommunications Commission (CRTC) to hold public hearings and report back in 1995. With this report and the advice of the Information Highway Advisory Council, we will develop policies that are best for the industry and for the consumer.

New communications services: We will soon announce policies and regulations for more competitive wireless services, including new radio-based services like digital broadcasting, personal communications devices, advanced mobile satellites, and wireless cable-TV.

Extending the CANARIE network: In 1993, the federal government joined businesses, educators and researchers to create the Canadian Network for the Advancement of Research, Industry and Education (CANARIE).

CANARIE has a plan to develop the information highway faster. We will support it with \$80 million over four years, matched with about \$396 million from the private sector and the provinces. This phase of CANARIE will create a high-speed experimental network and will help innovative companies get more products, services and content on the information highway. As well, the speed of the Canadian Internet will be increased, and it will be extended into the Yukon and Northwest Territories by the end of 1995.

SchoolNet: Right now, about 4 000 of Canada's 16 500 schools are connected to the information highway. By 1998, SchoolNet will connect all schools — two years ahead of the U.S. To help rural and remote communities, the SchoolNet Community Access Project will provide up to 1 000 rural communities with access to the information highway. In addition, we will expand the Computers for Schools Program to include public libraries and training centres.

Technology: To Innovate, Not Fall Behind

The National Advisory Board on Science and Technology along with many other stakeholders have called for a more strategic approach for science and technology. With \$6 billion in direct spending and another \$1 billion in tax support, the federal government is the largest investor in science and technology in Canada. We need to make sure that this investment supports Canada's economic, social and environmental goals.

Last June, we launched a comprehensive Science and Technology Review, which is now nearing completion. More than 2 200 Canadians from all walks of life have contributed to this review.

In dealing with the contribution of science and technology to the jobs and growth agenda, we have identified six critical issues that need to be addressed.

- To ensure a high return on our investment in science and technology, Canada must pursue a more systematic approach to move new ideas from conception through to the development of commercial products and services.
- Canada needs a stronger science culture to ensure that entrepreneurship and innovation are valued and rewarded.
- Canada must develop more forward-looking planning and support mechanisms for technologies that are critical to industry competitiveness.
- the government must therefore set clear priorities and measurable goals for our investment in science and technology.
- As the largest performer of research and development, the government should ensure that its laboratories play an effective role in commercializing technology.
- Technology diffusion is critical to industrial competitiveness. Measures to support the rapid dissemination of technical knowledge to industry are essential.

The Science and Technology Review will lead to recommendations in these and other areas in the new year. We will respond with concrete initiatives shortly thereafter.

The Bottom Line: Creating Jobs

A strong economy is the essence of a strong society. My government will focus on a jobs and growth agenda. We will work together with all our partners — provincial governments, business, labour, voluntary groups and individual Canadians.

— Prime Minister Jean Chrétien
Quebec City, 18 September 1994

When the Prime Minister outlined our jobs and growth agenda to the Chamber of Commerce last September, he took special note of the need for cooperation and partnership. As the Chamber itself says, “Canadian business can create a million jobs, if the stakeholders in the economy — all governments, labour unions, big business, financial institutions, educational institutions, chambers of commerce/boards of trade, and entrepreneurs alike — work together.”

The federal government shares that belief. The document *Building a More Innovative Economy* — and the government’s jobs and growth agenda as a whole — is a call for cooperative action. We are confident that by working together, we can create jobs and economic growth.

The federal government can lead the way. But each of us has a part to play in our future success. We have the creative, business and technical skills and resources to be innovators. And the current upswing in our economy can give us the energy and motivation to work toward our country’s future prosperity.

This plan does not involve new funding or spending increases. Instead of throwing money at new programs, we looked carefully at the programs we have and tuned them up. We found straightforward, innovative ways to help businesses grow and create jobs.

This plan is not a beginning nor an end. It is a step toward change.