

DO WE REALLY WANT TO BUILD
A CANADIAN NATION?

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When Mr. Boyle asked me some months ago if I would speak to you today, I accepted in the hope I might say something useful about the crisis in confederation. Since then you have heard so much about this subject that my remarks may be as welcome as a sermon I heard many years ago.

My home then was in the village of Baden, a small community about ten miles west of Kitchener. Our Presbyterian congregation was much too small to support a permanent minister and each Sunday a student minister from Knox College here in Toronto would travel to Baden to conduct worship services.

For three Sundays in a row the student ministers chose to speak about the Prodigal Son, a subject, I suspect, that was prompted more by their lectures at Knox College than the spiritual needs of the congregation. When on the fourth Sunday the young preacher proudly announced his text as the Prodigal Son, the congregation winced and one of the elders said in a loud whisper: "We sure hope the Prodigal Son soon gets home to stay."

I doubt if there is any analogy between the Prodigal Son and Quebec but I am sure you will all be happy to see unity restored in the Canadian family if for no other reason than that your guest speakers will think of other things to talk about.

I suspect my presence here today ...

I suspect my presence here today is related somehow to my position as publisher of The Star. Newspaper publishers are supposed to have a keen insight into public affairs and understand what really is going on in the country. I often wish this was so. Reporting news involves all the perils of writing instant history and I often think that if we had more knowledge and insight into the subjects we write about, the news we print would be quite different.

I do, however, have a deep feeling for Canada. My family came here from Germany in the early 1800's in search of religious freedom, and a simple granite tombstone in an Amish Mennonite cemetery near the town of New Hamburg records the fact that a John Honderich was the first white male child born in that section of Waterloo County. As a proud descendant of a pioneer family I know what this country has meant and can mean to people searching for a new and better life and I despair at the thought that it could divide and separate.

When I ask myself why is this happening to Canada -- what really is at the root of our problems -- I find it increasingly difficult to believe that if somehow we could resolve Quebec's language and cultural concerns, all would be well again.

French language and culture ...

French language and culture are important questions and must be addressed. But the basic problems go deeper and are not confined to Quebec. They are primarily economic in character and can be summed up in one simple question: Do we really want to develop and maintain a truly Canadian society?

We all pay lip service to a united, independent Canada but our actions often belie our sincerity. For instead of developing our own Canadian institutions, our distinctive Canadian culture and symbols, we have largely abdicated these tasks to others.

We have willingly placed control of our economic life -- the very mainstay of any independent society -- largely in the hands of foreign investors, servicing their own national and business interests. Our mass culture forms -- paperback books, movies, television programs -- originate mainly in the United States. Roughly half our university professors in the humanities and social sciences are not Canadian citizens. Even our system of government is imported and we can't agree on how to adapt it to our needs.

We have a flag, after a most quarrelsome debate, but we still don't believe there is a Canadian worthy of being our head of state. We long for a sense of Canadian identity but have few Canadian symbols to identify with. We recognize a Queen's birthday; celebrate St. Jean Baptiste Day; but ignore the birthday of Sir John A. MacDonald, our first prime minister and the man who, more than anyone else, made confederation possible.

Because we have not developed pride ...

Because we have not developed pride in things Canadian, we have allowed ourselves to become a nation without a real sense of purpose -- a dream, if you will -- of the kind of society we are trying to build. Unless at this late date we are prepared to take positive steps to correct this, it will become increasingly difficult to hold the country together.

I sometimes ask myself if it is really worthwhile to try and preserve an independent Canadian society. Our geography is a tremendous handicap. So is the north-south economic pull that is constantly drawing us closer and closer to the United States. But when I compare our society with the United States I see differences that I believe are worth preserving.

I think our society tends to be more compassionate, somewhat less extreme and certainly less violent. We put more emphasis on basic human needs such as health insurance and pensions. We believe the cultural traditions of our people should be preserved to enrich our national life; the Americans have more of a melting pot. We are less doctrinaire in our approach to government and business. We have a basic commitment to private enterprise but we accept public companies where needed to develop such things as broadcasting, transportation and electric power.

The basic argument ...

The basic argument for trying to maintain a united, independent Canada, is that we Canadians, acting collectively, are capable of developing a society that is better suited to our individual requirements than we can achieve through smaller states or even as a part of the United States.

If this is a valid premise -- and I believe it is -- we need to establish goals for ourselves and develop plans to achieve them. We need to provide hope for the people of Quebec and the rest of Canada that we can develop a still more compassionate society that respects language and cultural traditions; seeks to correct social and economic injustices; and provides Canadians with a greater sense of participation in our business and political life.

One of our goals must surely be the right to employment. For it is unemployment as much as anything else that is eroding national unity in Quebec.

The Star last year commissioned the most comprehensive survey conducted in Quebec since the election of the Parti Quebecois government. Our purpose was to determine public attitudes, assess all the diverse forces at work, and, if possible, identify constructive solutions to the unity problems.

A major conclusion of this study ...

A major conclusion of this study, conducted for us by Goldfarb Consultants Ltd., was that jobs much more than language were at the root of the separation issue.

The fundamental concerns of the people in Quebec are remarkably similar to the things that worry Canadians all across Canada. French Canadians said they were tired of being economically subjugated. What they want is better opportunity for business development in which they can play a part; better employment opportunities, not only in terms of the number of jobs but also in respect to choice of jobs and job potential; opportunities for French Canadians to participate in management positions throughout Canada and not only in Quebec.

"What is in many ways at the crux of the independent movement" -- and here I am quoting directly from the study -- "is what is called the branch plant mentality. The French in Quebec do not want Quebec to be a branch plant economy controlled by English Canadians in even a greater way than English Canadians in the rest of the country do not want to be a branch plant economy controlled by outsiders in the United States."

When I examine figures on incomes and employment in Quebec I find it difficult to quarrel with these concerns. Earned income per capita in Quebec is 23 per cent below Ontario; average unemployment in Quebec between 1953 and 1975 was 7 per cent; in Ontario it was 3.9 per cent.

Nor can I quarrel ...

Nor can I quarrel with their desire to participate more fully in the conduct of their business. In 1976 only 9 of the 91 largest companies operating in Quebec had French Canadian presidents; the rest had Anglophones. Similarly, the senior management of these firms was 90 per cent Anglophone and only 10 per cent French Canadian.

French Canadians blame this on English Canadians and to some extent they are correct. Many large Canadian-owned firms have not conducted themselves well in Quebec. But their branch plant problems are not confined to Canadian-owned firms. They result also from foreign ownership and control of many of their large companies and the adverse effect this has on both employment and job opportunities.

Canada, including Quebec, has more foreign investment and thus more foreign control over our business than any developed country in the world. Of our top 200 firms ranked in order of sales, 118 are controlled by foreign companies. In 1973, foreign companies, mostly American, controlled almost 60 per cent of our manufacturing; 76 per cent of petroleum and natural gas; 86 per cent of chemical production; 73 per cent of electrical apparatus; and almost our entire automobile and rubber business.

This high concentration ...

This high concentration of foreign ownership involves costs as well as benefits. Foreign capital and the technical and managerial know-how that came with it undoubtedly speeded our early industrial development. But it also imposed substantial and continuing costs, not the least of which is the debilitating effect this foreign presence has on our national life.

We have known for a long time -- and government studies have documented this -- that new product development for branch plants is done largely in the United States, not by Canadian subsidiaries. This denies jobs in research, engineering and design to our university graduates. We have known that branch plants tend to restrict the development of Canadian managerial and entrepreneurial skills. Both the range of jobs they offer and operating authority they allow are limited. We know that they prefer to import component parts rather than develop alternate Canadian sources of supply. And we know that the presence of branch plants has led to the application of American laws in Canada.

What is new and alarming today is that our manufacturing, so largely controlled by outsiders, is losing its competitive muscle; that imports are flooding over our tariff walls and causing widespread unemployment.

In the year ending ...

In the year ending July, 1977, jobs in manufacturing were disappearing at an annual rate of 113,000 jobs -- almost 10,000 a month. And we have been warned by Robert Scrivener of Northern Telecom that we face the possible loss of another 300,000 jobs by 1980.

We are now importing something like one-third of our total demand for manufactured goods, much of which should be satisfied by domestic industries. No other industrial nation imports such a high percentage of finished goods. On the export side, we sell abroad a smaller proportion of our production than countries like Spain, Portugal, Yugoslavia, Ireland and even Mexico. Our trade deficit on manufactured goods is running at an annual rate of around \$12 billion dollars and seriously complicating our balance of payments problem.

For some years now the Science Council of Canada has been engaged in an extensive study of Canadian manufacturing. In its latest report it warns that what we are witnessing is "sluggish industrial development and perhaps even the de-industrialization of Canadian society."

"Canadian industry", the council warns "is chronically and gravely ill. Indeed, the country industrially, is rapidly falling behind other nations and, by default, placing its hopes for the future on a resource sector which, in its present form, is inadequate to the task of raising or even maintaining the standard of living which most Canadians take for granted."

Moreover, the Science Council ...

Moreover, the Science Council cautions that the problems will not disappear with the end of the business recession. Our manufacturing began to slip relative to the rest of the industrial world in the 1960's. Our problems now are much too deep-rooted to be resolved by anything but fundamental changes in our branch plant economy.

The presence of so many branch plants has contributed to the development of a highly fragmented Canadian manufacturing industry which consists for most part of numerous small companies. As a Canadian banker once observed, "We simply have too many plants producing too many things for too few people."

If a television plant must produce from 300,000 to 700,000 color sets to achieve economies of scale, and we have ten plants producing, in whole or in part, 600,000 sets, our industry will be in difficulty, as indeed it is. Multiply this many times over and you have a rough picture of secondary manufacturing.

There is no doubt that the decline in manufacturing has been aggravated by high wages, low productivity, the recession and even the anti-inflationary guidelines, necessary as they have been. But the fundamental problem is that unlike countries like Sweden, we have not developed our own Canadian companies and our own Canadian technology to exploit Canadian skills and resources.

Technological innovation is crucial ...

Technological innovation is crucial to the maintenance of a healthy manufacturing industry. But spending on research and development has always been niggardly. In total we should be spending one to two per cent of our G.N.P. on research and development. But the R & D effort of manufacturing has declined since 1965 from 0.80 per cent of the value of manufactured output to 0.58 per cent in 1975.

Our poor performance in research and development is explained in part by the structure of our industry. Branch plants were established here primarily to assemble and produce products developed by parent companies. They rely on American technology. And with the United States losing ground to rapidly advancing technology in the rest of the world, it is hardly a surprise that we are also feeling the pinch.

The record of Canadian-owned companies in research and development has not been much if any better -- but for quite a different reason. Most firms are small and lack the profits and the grip on the domestic market to justify large research and development expenditures.

The net result is that Canadian manufacturers are not as competitive as they must be to compete in the domestic market let alone the export trade. And to further complicate our problems, some American companies are reacting to the recession by cutting back on their branch plant operations here and adding to the unemployment problem.

The plight of our ...

The plight of our manufacturing emphasizes the need for new policies and approaches. We can no longer afford to rely so heavily on branch plants to sustain our economy. We must identify our own industrial needs and opportunities and develop viable Canadian companies to exploit them. Countries smaller than Canada have demonstrated what can be achieved through specialization. We must do the same in areas such as communications, transportation, agriculture, fishing and the processing of raw materials.

What can be accomplished through such a policy is illustrated by the remarkable success of Northern Telecom, our largest manufacturer of telecommunications equipment.

Telecom, now a Bell Canada subsidiary, was once an American branch plant owned by Western Electric with its production based on American technology. It had no design staff; employed no scientists in product or process development; and had never shown interest in exports.

When U.S. anti-trust laws led to the separation of Telecom -- then Northern Electric -- from its American parent in 1956, the company faced a traumatic decision. It could continue to look abroad for its technology or risk hundreds of millions of dollars developing its own design.

Telecom opted ...

Telecom opted for its own technology and has succeeded in developing equipment that makes it a world leader in communications. An analogue switching system using computer technology, developed at a cost of \$80 million, has produced sales in Canada and abroad of \$700 million and created employment for 2,400 Canadians.

Another and perhaps more significant development is a digital switching system using computing language in the transmission of both voice and data. Developed at a cost of \$100 million, it is now being marketed in Canada, the United States and Europe. It is even being sold under licence in Sweden which has its own highly developed communications industry.

And recently Telecom put into operation on a trial basis one of the world's first fibre optics communications systems. If successful, it will open a whole new range of opportunities for the company.

Telecom clearly illustrates the advantages that accrue to Canada from the operation of a large, specialized, Canadian-owned company. In the product development area alone, its work with the Bell group provides jobs for 426 people with Bachelors degrees; 318 with Masters degrees and 116 Ph.D.'s. No branch plant begins to provide comparable job opportunities.

Telecom's remarkable achievements ...

Telecom's remarkable achievements point up the urgent need for more large, Canadian-owned companies. They also require changes in government attitudes and policies. We are still imbued in this country with the idea that small is beautiful. We do not yet recognize -- as many countries do -- that companies like Telecom can't succeed without an assured domestic market base. If changes in the competition law as presently contemplated are made, they could preclude the formation of large, efficient Canadian companies capable of competing both at home and abroad.

Our willingness to face up to the branch plant problem will, in my opinion, be the ultimate test of whether we are determined to maintain a united, independent Canada. Both our economic experience and the threat to national unity cry out for positive action. Without it we cannot achieve the industrial base or sense of national purpose required to sustain our sovereignty.

If we really are serious about maintaining a united Canada, we will first insist on immediate government action to stimulate employment. Unemployment is a cancer eating away at national unity. Time is required to work out permanent solutions but to do nothing or little or nothing in the meantime, is to ignore the basic threat to Canada's future.

I was hopeful ...

I was hopeful that the conference at Ottawa last week would recognize that unemployment is a human as well as an economic problem. Unemployment destroys human dignity. It deprives people of the sense of participation in their society. It destroys their hopes for the future. What Canada needs is hope and leadership. What we got was largely talk.

Secondly, we will need an industrial strategy, something successive ministers of trade and industry have talked about but done little about. An industrial strategy and the specialization it implies won't eliminate the need for small companies. But it should result in a much more co-ordinated and cohesive manufacturing industry. Equally important for the long-term future of Canada, it should provide an opportunity to locate major industries in Quebec, the Maritimes and other areas that require more industrial activity to sustain employment.

Thirdly, we will need government policies to encourage the development of viable Canadian companies and provide for increased Canadian participation and eventually ownership of many of our large foreign-owned companies. French Canadians are not alone in their desire to play a larger role in their economic life. Many English Canadians feel the same need.

Owning and controlling ...

Owning and controlling more of our own industries won't resolve all of Quebec's economic concerns unless we also provide French Canadians with an opportunity to share in business management not only in Quebec but throughout Canada. This places an obligation on Canadian-owned companies, particularly some of our financial institutions, to seek out qualified French Canadians for management positions. In provinces like Ontario it requires that French be made an official language.

Making French an official language does not mean that we all must learn to speak French. Although I hope our school system makes it possible for all youngsters who want to become bilingual to do so. Nor is it just a symbolic act as Premier Davis claims. Making government services fully available in French would help to make French Canadians feel more at home in Ontario and provide tangible evidence of our desire to make confederation work.

And so, ladies and gentlemen, I return to the question I raised at the outset: Are we really serious about developing and maintaining a truly Canadian society?

If we are, I am confident we can do so. We have all the human and material resources to do the job. All we need is the determination to move ahead and finish the job.