

DAVE SHEARING'S SPEAKING NOTES FOR CSLS CONFERENCE

- Thank you ladies and gentlemen
- Chemicals is the other Canadian productivity success story. I have left comments on the auto industry to Prof. Fuss.
- Before I comment on the findings of Dr. Rao's paper, I would like to give you a bit of additional background on the chemical industry
- I represent the Canadian Chemical Producers' Association
- CCPA members produce 90% of Canadian industrial chemicals and synthetic resins
- Industrial chemicals and resins sub-sector is about 1/2 of chemical and chemical products sector
- The industry is:
 - a high-tech industry - most knowledge-intensive in Canada
 - a leader in environmental sustainability - emissions reduction track record is a key part of Responsible Care ethic
 - a keystone of the national economy
 - an invisible industry
 - export intensive with up to 60% exported (80% to US)
 - capital intensive (\$5 billion in new investment mainly in Alberta)
 - highest labour productivity in Canada
 - highest labour productivity in G-7 (133% of US)
 - double the productivity growth of the US industry (88-96)
 - unit labour costs 35% below US
 - an internationally competitive industry with profitability more than double the US
- High productivity and low unit labour cost contributes to international competitiveness of industrial chemicals sector
- The high value added, high capital intensity and low labour intensity of industrial chemicals results in high labour productivity

- On average, Canadian plants are newer, larger with more efficient processes than in the US
- This results in higher labour productivity in Canada
- It is the result of major capital expenditures in Canada over the last 20 years using the latest technologies that are available internationally
- With the new slate of plants coming on stream, this trend is expected to continue.
- This is in contrast to the conclusion in the paper that the chemical industry would face formidable challenges in sustaining strong performance.
- CCPA is supportive of the work to get to the root of the productivity problem and compliments Industry Canada workers on the study.
- We support the major conclusions, however, one concern is that the recommendations listed do not seem to flow from the data provided. e.g. reference to joint ventures, strategic alliances, e-commerce, efficiency, etc.
- More work is also needed to identify the causes for the lower productivity in other chemical sub-sectors
- I would like to end with the latest industrial chemicals statistics just released last week:
 - continued growth for 2000
 - sales up nearly 12% over 1999
 - exports up 12%
 - sales volume up 6%
 - operating profits before interest, taxes and special write-offs were maintained in 1999 and are expected to rise by 1/3 in 2000.
- CCPA news release and backgrounder is available on CCPA website at <http://www.ccpa.ca/>. There is a number of other supporting documents supporting on the CCPA website. I have left display copies of the reports at the registration desk.