

# CANADA AND THE 21ST CENTURY

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TOWARDS A MORE EFFECTIVE FEDERALISM  
AND A STRONGER ECONOMY

A Statement of the Members  
Business Council on National Issues

OTTAWA  
April 26, 1991

***"Canada first, Canada last,  
and Canada always"***

Sir Wilfrid Laurier  
Massey Hall, Toronto  
October 14, 1904

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## **CANADA AT AN HISTORIC CROSSROAD**

Few Canadians would quarrel with the proposition that Canada is a fine and remarkable country. And yet, as the current debate about the country's future unfolds, it is clear that certain members of the Canadian family are dissatisfied. In the Western and Atlantic regions, and in the North, voices are calling for a stronger say in a political system that, it is claimed, favours disproportionately Ontario and Quebec. From our aboriginal peoples, we hear demands for justice and recognition. And in Quebec, many of our compatriots, disappointed at being left out of the Constitution Act of 1982, and more recently stung by the failure of the Meech Lake Accord, are now calling for political sovereignty.

The political malaise, that is evident in so many parts of the country, has an economic dimension as well. Following a long period of robust economic growth, Canadians are now having to cope with declining economic activity, high rates of interest, a soaring national debt, and rising unemployment. As Canadians look to the future, the certainty of ever-increasing levels of prosperity is no longer taken for granted. Rapid economic change, liberalized trade, and tougher competitive challenges from all parts of the world are now a fact of life. Canadians in growing numbers are asking -- are existing public policies and political institutions an advantage or an impediment in the quest for economic prosperity?; are those responsible for marshalling our capital and human resources up to the task?; is our educational system responding to the economic challenge?



It should surprise no one that these deepening political and economic concerns are leading to demands for far-reaching reforms. Rather than look upon the push for change as a threat, we should welcome it as an opportunity to make Canada a better and stronger country. It is in this spirit that we, as members of the Business Council on National Issues, wish to make a contribution to the debate about Canada's future. As individuals, we are proudly Canadian and dedicated to seeing Canada build on its record of political achievements and social justice. As business leaders, we will do everything in our power to ensure that Canada remains one of the most prosperous societies in the world.

The Business Council is well-placed to make such a contribution. As an organization concerned with national issues, we have long regarded the development of effective political institutions as one of our central priorities. Business Council task forces in the past have addressed issues such as parliamentary and constitutional reform. Most recently, we played an active role in the debate surrounding the Meech Lake Accord -- a constitutional proposal which we supported. Upon its rejection, we commissioned an ambitious series of initiatives by leading authorities drawn from all parts of Canada to assess the country's future constitutional options. In the economic domain, we are active in virtually every significant policy area and have strived to help build a strong Canadian economy and globally competitive enterprises.

Canadians are at an historic crossroad, and for the reasons set out in this paper, we believe the road we must take is towards a more effective federalism and a stronger economy. We say this mindful that good government and sound economic growth are indivisible. In preparing



ourselves for the journey, we must be ready to accept major change, to recognize the extraordinary opportunities that lie ahead, and to work together as a united people.

## **PAST ACHIEVEMENTS AND FUTURE ASPIRATIONS**

The current mood in Canada is one of pessimism and doubt. Is it justified? Based on past achievements, the answer clearly is no. Quality of life in Canada is among the highest anywhere. We occupy a land mass immense in size, unmatched in its natural advantages, and one of the truly last frontiers in a crowded and largely impoverished world. We have benefited from universal education and healthcare systems. We have built a tolerant society respectful of human rights and the rule of law. Canadian citizenship is the fervent wish of millions throughout the world. In international political circles, we have an outstanding record as supporters of world order and our contributions to peacekeeping have been second to none.

Economically, Canada's achievements are impressive. With only 26 million people, we have built the eighth largest economy in the world. On a per capita basis, we enjoy the second highest income of all 24 nations which make up the Organization for Economic Cooperation and Development. We are members of the G-7 Summit Group of leading industrialized countries. We are a major trading nation, a partner with the United States in the world's largest bilateral free trade area, and one of the most respected participants in a wide variety of international economic organizations. Between 1984 and 1989, the Canadian economy grew more rapidly than any other among the G-7 countries with



the exception of Japan, and our job creation record in that period was unmatched by any leading industrial nation.

If we pause for a moment and consider this extraordinary record of political and economic achievement, we must recognize that it has taken place within a framework of governance that in its basic form has remained unchanged since the founding of Canada 124 years ago -- a parliamentary democracy within a federal system.

We also must recognize that it is by virtue of the federal system, with its inherent flexibility and capacity for adaptation, that the staggering changes associated with Canada's development between 1867 and 1991 have been accommodated.

But an extraordinary record of past achievements is no guarantee of future success. Canada today faces tough challenges which, left unmet, will lead to an inevitable decline in our political and economic strength. The current constitutional crisis speaks volumes of the failure of both leadership and process in our political affairs. Poor private sector productivity performance, fiscal mismanagement in public finances, shortfalls becoming evident in our educational system, and a decline in our overall competitiveness signal that our economic future cannot be taken for granted.



## OUR VISION OF CANADA

Our vision of Canada is of a strong union of peoples of great diversity that will continue to build in the northern half of the North American continent a free and independent society, respectful of the rule of law and of individual liberties, while achieving pace-setting progress in the economic well-being of its citizens.

It is of a cohesive and unified country that honours and draws strength from its rich history, extraordinary achievements, and common values.

It is of a generous and compassionate society that offers all Canadians full rights of citizenship and equality of opportunity.

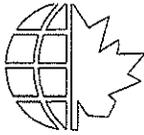
It is of a federal state which balances the desires for effective economic and political association on the one hand, and for adequate expression of cultural, economic, and political diversity across Canada on the other.

A number of fundamental political and economic principles must guide us in the pursuit of this vision:

- a more effective federal system with an appropriate balance of power and influence between the central government and the governments of the provinces with the overall objective of establishing more efficient and accountable government for Canadians;
- a system of parliamentary government that includes a House of Commons and a reformed Senate;



- respect for fundamental freedoms in accordance with the rule of law for all Canadians wherever they live;
- a recognition of Canada as a nation made more vibrant by the diversity of its citizens and regions, the advantage of its two official languages, and the cultural and linguistic distinctiveness of the people of Quebec;
- central institutions of federalism that will give Canadians from the West, the Atlantic, and the North a stronger voice in shaping national decision-making;
- a recognition of the right of aboriginal peoples to preserve their cultural identities and to a just settlement of issues of concern to them;
- a strong common market encompassing all of Canada with an unimpeded flow of labour, capital, goods and services protected under the Constitution;
- a fiscally responsible society in which individuals are encouraged to save, and governments give a high priority to balancing their budgets;
- educational and training systems that place Canadians at the top among nations in basic and advanced learning and skills;
- an outward and global orientation on the part of Canadians and our government institutions that will enhance our overall competitiveness

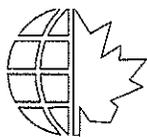


and our ability as a people to produce and to share in the wealth that we create together;

- a strong commitment by Canada to a positive role in helping to maintain world peace and security; and
- acceptance by Canadians of our special responsibilities as custodians of one of the world's most abundant and unspoiled natural endowments.

### **TOWARDS A MORE EFFECTIVE FEDERALISM**

We are convinced that this vision of Canada can best be attained within a federal system. We are equally convinced that an abandonment of federalism in favour of a radically different political organization of the Canadian state, would be a serious mistake. In a major study conducted for the Business Council on National Issues under the leadership of Professor Ronald Watts of the Institute of Intergovernmental Relations, Queen's University, and involving fifteen leading scholars from across Canada, the strong preponderance of opinion was that sovereignty-association, confederal structures, or similarly radical alternatives were neither politically feasible nor more advantageous to Canadians, wherever they live, than a range of federalist options. We are in agreement with these views and convinced, moreover, that the costs both politically and economically of a major rupture of the federation would be very high.



We believe that the reforms to our federal system must deal convincingly with three fundamental objectives:

- the renegotiation of how powers are divided and shared between the federal and provincial governments;
- the reform of the central institutions of federalism so as to enhance the influence of Canadians in all parts of Canada -- in particular from the West, the Atlantic and the North -- in national decision-making; and
- the ending of Quebec's constitutional isolation as a result of not being a signatory to the Constitution Act of 1982, and the failure of the Meech Lake Accord.

## **The Division and Sharing of Powers**

Current provisions in the Canadian Constitution for the division and sharing of powers are a source of a great deal of federal-provincial conflict. This conflict has led to a growing number of disputes among the governments and to competition and duplication that has been both costly and irritating to Canadian citizens. We realize that efforts in the past to deal with this problem have been largely unsuccessful. But the time has come to overcome past inertias and to take constructive action.

We believe that the most practical and sensible approach to this issue is for federal and provincial authorities to negotiate a re-ordering of federal and provincial powers. The re-ordering would result in some shift



of responsibility to the provincial and the local level from the federal government, to be sure. But in some cases, it also would mean that certain responsibilities would be transferred from the provinces to the federal government. Hand in hand with these transfers of responsibilities, both ways, would flow accountability. One guiding principle governing the allocation of powers, responsibility, and accountability would be what might be called the "common sense test" -- what programs and services can be delivered most effectively by the appropriate level of government, in the most efficient way, and at the lowest cost to taxpayers.

A great deal of this re-ordering of powers and influence among the federal and provincial governments can be achieved without resorting to the tortuously difficult process of formal constitutional amendment. Examples of how this could be done include

- the wider recognition of paramountcy on the part of one government or the other when conflicts arise;
- the delegation of legislative authority from one or more provinces to the federal government and from the federal government to one or more provinces, the delegation being for a specified period of time and subject to review;
- the negotiation of bilateral agreements between the federal government and individual provinces clarifying how certain powers are to be used;



- the ability of provinces to "opt out" of federal-provincial arrangements where the activity falls exclusively within provincial jurisdiction;
- the ability of provinces to "opt in" to legislation which is of federal application only;
- the use of interprovincial agreements that do not necessarily involve the federal government, whereby provinces agree among themselves to adopt a particular stance; and
- the use of federal-provincial accords.

## **The Reform of Federal Institutions**

In a paper prepared for the Business Council on National Issues, Professor Peter Leslie of Queen's University points out that to some Canadians "it is more important to alter the structure and/or the central institutions... [of government] than to recast the formal division of powers". We are in agreement that the reform of the central institutions of the federation offers Canadians a wide variety of ways to strengthen the effectiveness of the federal system. Coupled with the devices to which we already have referred, the potential for accommodating provincial and regional aspirations is very considerable.

One such reform is a reconstituted Senate that would sensitize the federal government to regional needs and demands and enhance the influence of the regions in national decision-making. We believe that an elected Senate is the preferable choice with an effective array of powers



and representational weighting that would provide a stronger voice than is now the case to Canadians living in the West, the Atlantic, and the North.

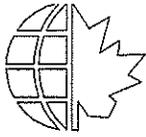
Other vehicles worthy of consideration are to

- change the composition, appointments process, working procedures, and jurisdiction of the Supreme Court of Canada and of other federal bodies to be more reflective of provincial or regional concerns; and
- establish effective consultative procedures that would allow provinces to comment on federal initiatives.

In advocating Senate reform and the reform of other institutions of federalism, we are especially mindful of the aspirations of Canadians in Western Canada who have long argued for changes in the federal Parliament and in other federal bodies that would reflect greater sensitivity to their particular concerns. We are strongly supportive of those demands for reform and believe that they must be part of an overall constitutional accommodation.

## **A Strong Quebec in a United Canada**

A durable and workable constitutional arrangement in Canada that holds the nation-state intact, as we know it today, will not be achieved without a resolution of the Quebec question. Quebec did not sign the Constitution Act of 1982, and the Meech Lake Accord, which was to remedy the situation, failed to pass into law in 1990. Understandably,



this has left a legacy of disappointment and bitterness in Quebec and the majority of the province's citizens appear to have lost confidence in the federal system. We are deeply sympathetic to their concerns and believe the situation must be corrected.

Constitutional recognition of Quebec's linguistic and cultural distinctiveness -- a distinctiveness that in practice already is enshrined in large measure in the existing Constitution -- must be a first step. Special arrangements in areas that are connected to the protection of the French language and culture are advisable as well -- specifically in the areas of demography and immigration. In all other areas of jurisdiction, we believe that the full and creative use by Quebec of the devices already proposed in this paper -- devices available to all the provinces -- will enable it to achieve a very significant degree of autonomy in the exercise of its legislative powers.

## **POLITICS AND ECONOMICS -- THE CRITICAL MIX**

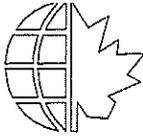
The reform of our federal system offers Canadians a rare economic opportunity. At a time when Canada is adjusting to a rapidly changing global economy, our ability as a people and as a nation to compete is the key to our continuing prosperity and to that of our children and grandchildren. Competitiveness is the foundation upon which an improved social, economic, and environmental order will be built. In the quest for competitiveness, the Canadian political system must be an ally and not an impediment.



First and foremost, the reforms to our federal system must ensure that the Canadian common market is established in fact and that the Canadian economic union is strengthened. The free movement of labour, capital, goods, and services must be guaranteed under any new constitutional arrangement, and in this area, we see the federal government having a strengthened role.

Secondly, Canada must urgently put in place a competitive strategy that will marshal the enormous assets that we have as a people and as a country. This will require coordination and action on the part of all economic players on numerous fronts including fiscal management, education and training, research and development, and international trade.

The role of government must be to help create the most attractive environment possible to allow for this strategy to unfold. In some cases, it may mean that governments should withdraw from certain activity entirely and leave the competitiveness agenda to Canadian workers and entrepreneurs. But governments also have a constructive role to play. The real challenge is to carry out this role in the most sensible, cost-efficient, and accountable way possible. Under our federal system, this will require agreement between the two major levels of government -- agreement, we hope, that will lead overall to a lighter burden of government, to a clarification of responsibilities and avoidance of duplication, and to a significant reduction in the costs of government to Canadian taxpayers.



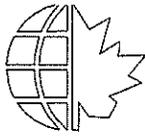
These reforms, if successful, will be a powerful incentive to Canadians as we prepare for the 21st century. In the Business Council's recent paper **National Economic Priorities: Challenges and Opportunities**, we said "...Canadians, battered by economic anxieties and concerns about the future of the country, need to be challenged by a bold and imaginative idea...Our vision is to make Canada the strongest economic performer among the seven leading industrialized nations (G-7) by the year 2000...". A federal system that works well will go a long way to helping Canadians realize this vision.

### **BUILDING A FUTURE TOGETHER**

The building of a better and stronger Canada, politically and economically, requires fresh and creative ideas and a clear vision. But even more important, it requires tolerance, understanding, and a desire to work together.

Canadians today are not working together as they should. Regional conflicts are rife. Governments and their bureaucracies are engaged in seemingly endless quarrels and competition. Respect for public office-holders is low. Many aboriginal Canadians are alienated. Relations between business and labour are far from satisfactory. And special interest groups pursue their agendas often blind to the national interest.

If our country is to survive, adapt to changes, and grow, this war of factions and interests must end. Public-spirited leadership must prevail and so must the commitment to building a new Canada in which unity and diversity will be embraced and respected as mutually reinforcing



goals. The process of nation-building must be an open one and engage the participation and imagination of the broadest number of Canadians.

At the outset of this statement, we said that Canada is a fine and remarkable country. We believe that in their hearts Canadians know this to be true. As the debate about our country's future unfolds, Canadians should look for inspiration to the past and remember the great legacy of nation-building handed to us by our pioneer ancestors. It is a trust that no Canadian dares break with impunity. Reinforced by its spirit, all Canadians can look to the future and meet any and every challenge knowing that it is to successor generations that we must pass on this extraordinary legacy. Almost a century ago, a visionary leader and Prime Minister of Canada, Sir Wilfrid Laurier, spoke of this legacy in simple but moving terms. "Canada first, Canada last, and Canada always" he said. Laurier's exhortation should guide us as we work together to build a new Canada.



## **BUSINESS COUNCIL ON NATIONAL ISSUES**

The Business Council on National Issues is the senior voice of Canadian business leaders on public policy issues in Canada and abroad. Composed of the chief executives of 150 leading Canadian companies, the Council carries out an active program of research, consultation, and advocacy in four principal areas: the national economy; foreign affairs and the global economy; the environment and sustainable development; and political governance.

The member companies of the Business Council are active in every major sector of the Canadian economy, employ over 1.5 million Canadians, and manage approximately \$1 trillion in assets.

For over a decade, the Council has been engaged in work on the political governance issue. In 1979 and in 1981, the Council published studies on parliamentary government in Canada. During the constitutional debates at the beginning of the 1980s, it published a Citizen's Guide to the Constitution, and was active in putting forward its views. Studies on senate and public service reform followed, and most recently, the Council participated in the debate surrounding the Meech Lake Accord.

**Canada and the 21st Century: Towards a More Effective Federalism and a Stronger Economy**, was prepared under the supervision of the Business Council Task Force on the Canadian Constitution and benefited from the contributions of members of the Council's Policy Committee and Council members from across Canada. This statement was endorsed unanimously by the Business Council on National Issues Membership at the Council's Annual General Meeting in Toronto, April 10, 1991.



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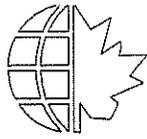
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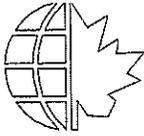
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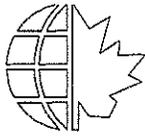
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